

Report of the Provincial Auditor

**to the Legislative Assembly
of Saskatchewan**

**2008 Report
Volume 1**



Provincial Auditor Saskatchewan

1500 Chateau Tower
1920 Broad Street
Regina, Saskatchewan
S4P 3V2

Telephone: (306) 787-6398
Fax: (306) 787-6383

E-mail: info@auditor.sk.ca
Website: www.auditor.sk.ca

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Vision

We envision effective, open, and accountable government.

Mission

We serve the people of Saskatchewan through the Legislative Assembly by fostering excellence in public sector management and accountability.



Provincial Auditor Saskatchewan

1500 Chateau Tower
1920 Broad Street
Regina, Saskatchewan
S4P 3V2

Phone: (306) 787-6366
Fax: (306) 787-6383
Internet e-mail: fwendel@auditor.sk.ca

SASKATCHEWAN

May 14, 2008

The Honourable D. Toth
Speaker of the Legislative Assembly
Room 129, Legislative Building
REGINA, Saskatchewan
S4S 0B3

Dear Sir:

I have the honour of submitting my *2008 Report – Volume 1*, to be laid before the Legislative Assembly in accordance with the provisions of Section 14.1 of *The Provincial Auditor Act*.

Respectfully yours,

Fred Wendel, CMA, CA
Provincial Auditor

/dd



Our 2008 Reports

In 2008, our Office issued two other public reports to the Legislative Assembly. Following is a list of those reports. If you wish to obtain copies of these reports, or wish to discuss or receive presentations on the contents of any of these reports, please:

- ♦ visit our website at:

www.auditor.sk.ca

- ♦ contact our Office by Internet e-mail at:

info@auditor.sk.ca

- ♦ write, phone, or fax us at:

Provincial Auditor Saskatchewan

1500 Chateau Tower

1920 Broad Street

Regina, Saskatchewan

S4P 3V2

Phone: (306) 787-6398

Fax: (306) 787-6383

Our Reports:

- ♦ *Report to the Legislative Assembly of Saskatchewan on the 2007 Financial Statements of CIC Crown Corporations and Related Entities: April 2008*
- ♦ *Report to the Legislative Assembly of Saskatchewan on the Financial Statements of Crown Agencies for Years Ending in the 2007 Calendar Year: April 2008*



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Key messages

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Introduction

My Office helps to improve how government agencies manage public resources. We also help to improve the information the Legislative Assembly and the public receive from government agencies. We do this by independently auditing all government agencies and reporting our results and recommendations to the Legislative Assembly.

The Government delivers its services through about 275 agencies. These agencies include ministries, Crown corporations, authorities, boards, commissions, and special purpose funds. Appendix 2 of this report lists these agencies. This report covers about 130 agencies.

Since we last reported in the fall of 2007, our work has centred on three areas. These areas are:

- ◆ financial audits of agencies with a December 31, 2007 fiscal year
- ◆ financial audits of agencies with a fiscal year ending before December 31, 2007 that were not completed in time to report in our 2007 Report – Volume 3
- ◆ in-depth audits of key risks the Government faces

The following is a brief summary of the results and recommendations contained in this report.

Agencies with a December 31, 2007 fiscal year

Crown Investments Corporation of Saskatchewan (CIC) and its related agencies (e.g., SaskPower, SaskEnergy) make up about one third of all government agencies.

For the year ended December 31, 2007, CIC and its related agencies complied with governing authorities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing. CIC and its related agencies published reliable financial statements.

CIC and its related agencies had reasonable practices to safeguard public resources except Investment Saskatchewan Inc. needs to comprehensively evaluate the performance of its investment manager. As well, it should set

out and monitor expected and actual public policy outcomes for each investment.

Investment Saskatchewan is responsible for investments worth about \$400 million. In November 2006, Investment Saskatchewan signed an agreement with an investment manager to obtain exclusive investment services. Beginning January 1, 2007, the investment manager had full authority to buy and sell Investment Saskatchewan's investments within the limits set out in the agreement.

Other agencies with December 31, 2007 fiscal years also had reliable financial statements and complied with their governing authorities. However, some agencies supervised by the Ministry of Finance need to better safeguard public resources.

Agencies with fiscal years before December 31, 2007

The Ministry of Corrections, Public Safety and Policing needs better control over trust money belonging to inmates. The Ministry needs to ensure that staff follow established policies.

The Teachers' Superannuation Commission needs to improve its governance processes. It also needs to keep complete financial records for teachers' benefit plans (e.g., disability and dental). As well, it should provide the Legislative Assembly with financial statements and an annual report on the activities of each of those plans.

Key risk audits

Over the last several months, we have carried out a number of in-depth audits related to key risks that government agencies face. The audits examined several high risk areas including the quality of information provided to the public, protection of the public, the environment, information technology, and government vehicles. The following comments highlight some of these audits.

The surgical wait times report published by the Ministry of Health could be more useful to help patients estimate the time they will wait for surgery or to select a hospital for their surgery. Our report identifies problems with the information in the surgical care registry that is used to prepare the report.

The information in the registry was not complete, accurate, and consistent among regions. When the information in the registry is improved, the Ministry will have better information to make resource allocation decisions and patients will have better information for their decisions.

The Ministry of Corrections, Public Safety and Policing needs to do timely assessments and case plans to help ensure inmates receive rehabilitation services before they are released. Timely services are particularly important for inmates sentenced for partner abuse and sexual or general assault. The Ministry needs to monitor reoffending rates in relation to rehabilitation programs taken to help measure the success of its rehabilitation programs. During 2006-2007, 50% of inmates had reoffended within 24 months of release.

The Ministry of Environment needs a complete and accurate record of contaminated sites so it has information to effectively monitor these sites. It should complete its risk assessments for identified contaminated sites so it can deal with the most serious sites quickly. Also, the Ministry should provide better guidance to employees for monitoring sites. Making these improvements will help protect people and the environment.

The Public Service Commission and the Saskatchewan Legal Aid Commission need better controls to secure the confidentiality, integrity, and availability of the information in their computer systems. The Public Service Commission is responsible for the computer system used to pay about 12,000 employees of ministries. The Saskatchewan Legal Aid Commission uses its computer systems to store clients' privileged information. The Commission receives about 21,000 applications for legal services each year.

The Saskatchewan Association of Health Organizations has made substantial progress in improving the security of the payroll system it uses to pay about 40,000 health workers.

The Ministry of Government Services does not have adequate processes to maintain its vehicle fleet in a safe condition and in an economical manner. The Ministry has a fleet of about 5,000 vehicles. It assigns vehicles to operators and tells them to follow the maintenance procedures set out in the vehicle manufacturers' owner manuals. The Ministry does not have adequate records or processes to know if vehicle operators carry out

required maintenance to keep vehicles safe and to help ensure warranty protection for serious repairs.

Acknowledgement

The dedicated efforts of the staff of this Office are essential for the continuing achievement of its responsibilities. The knowledge and commitment of our staff make this report possible. A list of staff is set out in the following exhibit.

Exhibit

My colleagues at the Office of the Provincial Auditor for Saskatchewan are:

Ahmad, Mobashar	Kahovec, Steven
Anderson, Mark	Knox, Jane
Atkinson, Brian	Kress, Jeff
Bachelu, Gaylene	Lindenbach, Michelle
Bailey, Brendan	Lipoth, Becky
Bell, Kelli	Lowe, Kim
Bernath, Eric	Martens, Andrew
Bleloch, Kevin	Montgomery, Ed
Bogdasavich, Michelle	Nyhus, Glen
Borys, Angèle	Ochieng, Jennifer
Clemett, Tara	O'Quinn, Carolyn
Deis, Kelly	Pattullo, Candice
Dickin, Deann	Reimer, Stephanie
Drotar, Charlene	Rybchuk, Corrine
Duran, Jason	Schwab, Victor
Ferguson, Judy	Shaw, Jason
Grabarczyk, Rod	Shorten, Karen
Halladeen, Aaron	Sommerfeld, Regan
Hamilton, Scott	St. John, Trevor
Hansen, Melissa	Thorson, Angela
Harasymchuk, Bill	Tomlin, Heather
Heebner, Melanie	Toth, Stephanie
Heffernan, Mike	Volk, Rosemarie
Herauf, Jena	Walker, Sandra
Hoang, Lysa	Watkins, Dawn
Hungle, Angie	Wendel, Leslie
Jensen, Rory	Zerr, Jennifer

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Chapter 2—Corrections, Public Safety and Policing

The Ministry of Corrections, Public Safety and Policing (Ministry) needs to follow its policies and procedures to promptly reconcile its recorded bank balances to the bank's records. The Ministry also needs to develop policies and procedures to record its revenues accurately and completely. It needs to control employees' pay and complete its business continuity plan.

In Saskatchewan, the crime rate is high and former inmates often re-offend after their release into the community. The Ministry delivers programs and services to rehabilitate inmates and reduce re-offending.

We audited how the Ministry rehabilitates adult inmates who have been sentenced to a term in a provincial correctional centre. We found the Ministry selects rehabilitation programs based on research evidence showing that the programs can be effective. The Ministry uses evidence-based case management processes but needs to improve their timeliness and consistency. The Ministry monitors whether inmates re-offend but does not monitor whether inmates completed (before their release into the community) all the rehabilitation programs agreed to in inmates' case plans. We made four recommendations related to consistent use of the Ministry's policies and monitoring rehabilitation programs.

Chapter 3—Education

The Teachers' Superannuation Commission (Commission) needs to comply with its governance manual that outlines its governance processes. It also needs to develop and implement a strategic plan based on risks and a written communication plan. To ensure it has the human resources required to achieve its objectives, the Commission must identify its human resource needs and develop strategies to address any competency gaps.

To control public money relating to the benefits programs it administers, the Commission needs to establish and communicate to staff its policies and procedures. Also, it must obtain approval for bank borrowing as required by *The Financial Administration Act, 1993*.

To help ensure it receives accurate interim and annual financial reports for the pension plan and the benefits programs it administers, the Commission must provide complete and written guidance to staff for preparing interim

and year-end financial reports. Such guidance will also help the Commission to give its annual report to the Legislative Assembly on time. The Commission also needs to provide more information to the Legislative Assembly about the benefit plans it provides for teachers. The Legislative Assembly should receive a report on activities and financial statements for each benefit plan.

Chapter 4—Environment

The chapter reports the result of our work to assess the Department of Environment's (Ministry) processes to regulate contaminated sites at August 31, 2007. The Ministry had adequate processes to regulate contaminated sites except it needs to:

- ♦ establish an adequate system for tracking contaminated sites
- ♦ complete its risk assessments for contaminated sites and rank them in terms of priority
- ♦ complete its written guidance for monitoring contaminated sites
- ♦ prepare a communication plan for internal and external reporting on the status of contaminated sites

Chapter 5—Finance

The Ministry of Finance, primarily through the Public Employees Benefits Agency (PEBA), administers 18 government pension and benefits plans. For the year ending December 31, 2007, the financial statements of each of these are reliable. All plans had adequate rules and procedures to safeguard the public resources and comply with the authorities governing their activities, except for the following matters.

The Municipal Employees' Pension Commission continues to need a written, tested, and approved disaster recovery plan for its computer systems to help ensure that it can continue to operate effectively in the event of a disaster.

The Saskatchewan Pension Plan needs to improve its security policies and procedures for information technology.

At December 31, 2007, PEBA has signed service agreements with the pension and benefit plans that it administers. These service agreements

set out the roles and responsibilities of PEBA and the plans, the services that PEBA will provide, and service delivery targets. We assessed the adequacy of PEBA's processes to manage the delivery of agreed-upon services to the pension and benefit plans for the period April 1, 2007 to December 31, 2007. We found PEBA had adequate processes except that it needs to explain significant differences between expected and actual results for each service standard described in the service agreements.

Chapter 6—Government Services

This chapter reports on the adequacy of the processes that the Ministry of Government Services (Ministry) uses to maintain its vehicle fleet.

We concluded the Ministry did not have adequate processes at December 31, 2007 to maintain its vehicles in a safe condition and in an economical manner.

The Ministry needs to establish processes to ensure its vehicle fleet meets the safety standards of *The Traffic Safety Act*. The Ministry needs to keep reliable maintenance and repairs records for its vehicles. Senior management of the Ministry needs to receive reports to verify that vehicles are appropriately maintained.

Chapter 7—Health

The Ministry of Health (Health) prepared its surgical wait times report in accordance with the reporting principles of reliability, understandability, and consistency except the limitations in the wait times information is not adequately described. As a result, the report is not as useful as it could be in providing patients with an estimate of the time they will wait for surgery or where to have surgery, or to help management make decisions on health service allocations.

The Saskatchewan Association of Health Organizations (SAHO) has addressed three of our four recommendations for the payroll system it uses to provide payroll services to approximately 40,000 people in almost all health care agencies in the province. SAHO has strengthened its processes to ensure the integrity and availability of its payroll system. It continues to make progress on ensuring the security of the payroll system.

Health has made progress addressing our past recommendations on Saskatchewan's *Health Workforce Action Plan*. Health is working with other jurisdictions to develop a workforce projection model to provide information on the gaps in health sector human resources. It has also provided public information on strategies to develop the current health workforce.

Chapter 8—Justice and Attorney General

The Saskatchewan Legal Aid Commission (Commission) is a Crown agency of the Ministry of Justice and Attorney General. Each year, the Commission provides over 21,000 applicants in financial need with legal advice and representation. It uses information technology (IT) systems to help deliver these services. The Commission must protect the confidentiality, integrity, and availability of these systems and data stored within them.

We assessed the adequacy of the Commission's processes used to protect its systems and data. We found the Commission needs to:

- ◆ update its IT security policies and procedures based on a risk assessment
- ◆ physically secure its network computers located in area offices
- ◆ follow its password standards and monitor user access to its systems
- ◆ adequately configure, update, and monitor its computers and network equipment
- ◆ store, secure, and test its backup of information stored on its computers
- ◆ develop and test a disaster recovery plan for its information systems and data

Chapter 9—Public Service Commission

PSC is a central human resource agency primarily for staff employed by government ministries.

PSC is responsible for the computerized human resources and payroll system. This system contains personnel and payroll information. PSC had adequate central controls to protect the confidentiality, integrity, and availability of transactions on this system with two exceptions. First, it did

not have adequate policies and procedures for monitoring user access to the system. Second, PSC did not provide user agencies with updated written guidance over the approval of payroll payments and sufficient information to help them monitor the accuracy of their payroll.

Chapter 10—Saskatchewan Institute of Applied Science and Technology

Saskatchewan Institute of Applied Science and Technology (SIAST) plays an important role in preparing skilled workers. In our 2006 Report – Volume 1 (Chapter 3, pp. 45-57), we set out the results of our audit of human resource processes used by SIAST. We reported that, as of January 2006, SIAST had adequate human resource processes to build human capacity except for four areas. In brief, we recommended that SIAST improve how it:

- ◆ analyzes competency gaps in its entire workforce
- ◆ identifies and plans to address barriers to its human capacity
- ◆ informs key staff about trends and effective strategies to overcome barriers to human capacity
- ◆ monitors human resource risks and evaluates progress

By March 31, 2008, SIAST had taken some action on all four recommendations. Further action is required.

SIAST told us that restructuring for a more strategic approach and staff vacancies delayed SIAST's response. SIAST plans further action on the recommendations.

Chapter 11—Saskatchewan Research Council

The protection of intellectual property is very important to the Saskatchewan Research Council (SRC) because its business involves research and development for itself and others. To fulfill its mission, SRC must effectively manage intellectual property. It must identify and protect the intellectual property that it develops and it must respect the intellectual property of its partners and clients.

This chapter reports the results of our audit of how well SRC manages intellectual property. SRC had adequate processes to manage intellectual property, except it should:

- ♦ follow its policies for management of intellectual property
- ♦ make an agreement with its wholly owned company (subsidiary) for ownership and management of intellectual property
- ♦ complete its central recording of all significant intellectual property
- ♦ implement performance measures to help it manage intellectual property

Chapter 12—Investment Saskatchewan Inc.

Investment Saskatchewan is responsible for investments of about \$400 million and has plans to invest a further \$150 million over the next five years. Most of its investments are in non-publicly traded Saskatchewan companies.

Since November 2006, Investment Saskatchewan has hired an investment manager to exclusively buy and sell its current and future investments within certain limits. Through the five-year agreement with an automatic three-year renewal, Investment Saskatchewan has delegated key investment decisions to its investment manager. Although it has delegated these decisions, Investment Saskatchewan remains responsible for its investments and the oversight of them.

The performance of its investment manager is essential to the success of Investment Saskatchewan. We examined whether Investment Saskatchewan had adequate processes to oversee its investments. We found that, to perform a comprehensive evaluation of the investment manager's performance, Investment Saskatchewan needs to document its requirements, expectations, and planned assessment procedures.

Also, to provide its investment manager with informed advice on divesting, Investment Saskatchewan needs information on the public policy outcomes relevant to each investment. To manage its investing risks, it needs to receive sufficient documentation, analysis, and updates of each investment's key risks.

Chapter 13—Saskatchewan Power Corporation

During 2007, we assessed SaskPower's progress in addressing the recommendations we made in 2006 on processes to plan for infrastructure needs related to electricity generation and the conditions that allowed a loss of public money.

We concluded that SaskPower has made significant progress in addressing our recommendations relating to its processes to plan for infrastructure needs, but it needs to do more to:

- ♦ assess alternative strategies that address identified infrastructure needs
- ♦ document specific infrastructure risks associated with its specific infrastructure decisions

Regarding our recommendations on the conditions that allowed a loss of public money, we concluded SaskPower has addressed our recommendations.

Also, for the year ended December 31, 2007, SaskPower, its three subsidiaries and the Power Corporation Superannuation Plan each had reliable financial statements, adequate processes to safeguard public resources, and complied with the authorities governing their activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing.

Chapter 14—Standing Committee on Crown and Central Agencies

The Standing Committee on Crown and Central Agencies is one of the Legislative Assembly's four policy field committees. It considers matters relating to Crown Investments Corporation of Saskatchewan (CIC) and its corporations, supply and services, central government agencies, liquor, gaming, and all other revenue-related agencies and entities. During its review of Crown corporation annual reports, the Committee can inquire about current matters, future objectives, and past performance.

Chapter 1B – Compilation of main points

The Committee also reviews chapters of our reports concerning CIC and its related corporations. The Committee's discussions relate to broader issues including strategic plans, key risks to achieving goals and objectives, and performance measurement. It also reviews significant transactions made by these corporations.

Through its work and recommendations, the Committee helps the Assembly hold the Government accountable for its management of these corporations. At December 2007, the Government has implemented most of the Committee's recommendations. This chapter sets out the status of the Committee's recommendations that the Government has not yet implemented.

Corrections, Public Safety and Policing

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Main points

The Ministry of Corrections, Public Safety and Policing (Ministry) needs to follow its policies and procedures to promptly reconcile its recorded bank balances to the bank's records. The Ministry also needs to develop policies and procedures to record its revenues accurately and completely. It needs to control employees' pay and complete its business continuity plan.

In Saskatchewan, the crime rate is high and former inmates often re-offend after their release into the community. The Ministry delivers programs and services to rehabilitate inmates and reduce re-offending.

We audited how the Ministry rehabilitates adult inmates who have been sentenced to a term in a provincial correctional centre. We found the Ministry selects rehabilitation programs based on research evidence showing that the programs can be effective. The Ministry uses evidence-based case management processes but needs to improve their timeliness and consistency. The Ministry monitors whether inmates re-offend but does not monitor whether inmates completed (before their release into the community) all the rehabilitation programs agreed to in inmates' case plans. We made four recommendations related to consistent use of the Ministry's policies and monitoring rehabilitation programs.

Introduction

The mandate of the Department of Corrections and Public Safety (Ministry) (effective November 21, 2007 the Department became the Ministry of Corrections, Public Safety and Policing) is to promote safe communities. It promotes safe communities:

- ◆ by delivering effective programs for individuals in conflict with the law, and fire prevention and disaster assistance programs
- ◆ through emergency planning and communication, monitoring of building standards, and licensing and inspection services

The Ministry focuses on activities in four main areas: Adult Corrections, Young Offenders Programs, Licensing and Inspections, and Protection and Emergency Services.

The Ministry's public performance plan sets out its goals and objectives. It reports progress against these goals in its annual report each year. Exhibit 1 sets out its three key goals.

Exhibit 1

1. Government and its partners work together to promote and maintain safe communities
2. Re-offending behaviour is reduced due to rehabilitative interventions with offenders
3. Safe, healthy and respectful departmental work environments that support learning, diversity, excellence and accountability

Source: 2007-2008 Provincial Budget Performance Plan – Saskatchewan Corrections and Public Safety (available at www.finance.gov.sk.ca) (23Apr 2008)

Financial overview

In 2006-2007, the Ministry had revenues of \$12.7 million and spent about \$163.1 million. About 53% of its revenues are from the Federal Government for cost-sharing programs. Table 1 details the Ministry's spending. Its *Annual Report 2006-2007* sets out reasons for major differences between its actual financial results and estimates.

Table 1

	<u>Original Estimates</u> ¹		<u>Actual</u>
	(in millions of dollars)		
Central Management & Services	\$	14.6	\$ 14.0
Adult Corrections		68.6	74.3
Young Offenders Programs		42.9	40.9
Public Safety		5.8	15.3
Regina Provincial Correctional Centre		14.7	10.8
Replacement Services during Work Stoppage		0.0	20.0
Capital asset acquisitions		(17.2)	(12.5)
Capital asset amortization		0.2	0.3
	\$	<u>129.6</u>	\$ <u>163.1</u>

Audit conclusions and findings

In our opinion, for the year ended March 31, 2007:

- ♦ the Ministry had adequate rules and procedures to safeguard public resources except as described in this chapter
- ♦ the Ministry complied with the authorities governing its activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing except as described in this chapter

In this chapter, we also report on the adequacy of the Ministry's processes to rehabilitate sentenced adult inmates within provincial correctional centres.

Control of cash needed

In our 2007 Report – Volume 1, we reported that the Ministry needs to follow its policies and procedures to promptly reconcile its recorded bank balances to the banks records.

¹ Saskatchewan Finance, *Saskatchewan Estimates 2006-07*. The Estimates' total does not include the additional \$13.5 million authorized through the *2006-07 Saskatchewan Provincial Budget - Supplementary Estimates November* and \$20.2 million authorized through the *2006-07 Saskatchewan Provincial Budget - Supplementary Estimates March 2007* for Corrections and Public Safety (Vote 73).

The Financial Administration Manual requires ministries to follow certain policies and procedures for cash handling and payment processing. *The Correctional Services Trust Account Regulations* sets restrictions for the use of trust money and requires adequate accounting records for trust money. The Ministry needs to follow its policies and procedures to ensure it complies with these authorities to control money held in its inmate trust accounts.

The Ministry's policies and procedures require employees to agree (reconcile) its recorded bank balances to the bank's records each month. They also require management to review and approve the reconciliations. Regular reconciliation of recorded bank balances to the bank's records provides a check that all charges to the bank account are proper and all money has been received and deposited in the right account. It also provides a check on the accuracy and reliability of the Ministry's accounting records.

The Ministry holds cash of about \$300,000 on behalf of adult inmates in 17 bank accounts.

During the year, the Ministry implemented changes to its policies and procedures for preparing bank reconciliations to ensure employees correctly prepare and review the reconciliations. However, the bank reconciliations for five adult corrections individual inmate accounts were not prepared or reviewed adequately during the year.

On June 25, 2007, the Standing Committee on Public Accounts (PAC) considered this matter and agreed with our recommendation.

We continue to recommend that the Ministry of Corrections, Public Safety and Policing follow its policies and procedures to promptly reconcile its recorded bank balances to the bank's records.

Revenue policies and procedures need improvement

The Ministry needs adequate written policies and procedures to ensure it completely and accurately records its revenues.

Written policies and procedures help reduce the risk of errors, fraud, and breakdowns in control. The Ministry does not have adequate written

policies and procedures to ensure revenue recorded in interim and year-end financial reports is accurate and complete.

This lack of adequate written policies and procedures resulted in an error in revenue for the Provincial Disaster Recovery Program (PDAP), a program administered by the Ministry. PDAP provides financial assistance to eligible claimants due to a substantial loss or damage to uninsurable, essential property caused by a natural disaster. The Federal Government shares the cost of PDAP and reimburses the Ministry based on expense claims from the Ministry. The Ministry did not record PDAP revenue for the 2006-07 claim year in its financial records for the year ending March 31, 2007, resulting in a \$7.4 million understatement of revenue and accounts receivable. As a result, revenue reported in the Ministry's annual report for 2006-07 and in the 2006-07 Public Accounts – Volume 2 was also understated by this amount. In June 2007, the Ministry corrected this error in its financial records.

1. **We recommend that the Ministry of Corrections, Public Safety and Policing develop policies and procedures to record its revenues accurately and completely.**

Business continuity plan required

In our 2007 Report – Volume 1, we reported that the Ministry needs to complete, approve, and test its business continuity plan.

The Ministry needs to complete its business continuity plan² to help ensure that it can continue to deliver its critical services in the event of a disaster.

The Ministry performs several critical services including adult corrections, young offender programs, and protection and emergency services. The Ministry works with many key partners to provide its services.

The Ministry must provide these services even if a disaster disrupts its ability to operate and provide services in the normal manner. Without a BCP, the Ministry is at risk of not being able to provide critical services.

² **Business Continuity Plan (BCP)** - Plan by an agency to respond to unforeseen incidents, accidents, or disasters that could affect the normal operations of the organization's critical operations or functions.

At March 31, 2007, the Ministry does not have a complete BCP. The Ministry has an emergency plan that documents emergency procedures for use in the event of a disaster. It has complete individual business continuity plans for its critical business functions. It has developed a strike contingency plan for use in the event of an employee strike. It is completing its detailed major infectious disease (e.g., pandemic) plan. The Ministry needs to complete and test its overall BCP to ensure that it can manage and coordinate its plans in the event of a disaster.

Management told us that during the year it had successfully invoked its strike plan. Based on this, the Ministry has set up a process to review the effectiveness of the plan and make improvements.

Management told us that the Ministry plans to complete its BCP during 2008. Starting in April 2007, the Ministry began to use the Information Technology Office (ITO) for its information technology (IT) service delivery. In order to complete and test its business continuity plan, the Ministry will need to consider any impacts from ITO providing IT services.

On June 25, 2007, PAC considered this matter and agreed with our recommendation.

We continue to recommend that the Ministry of Corrections, Public Safety and Policing complete and implement its business continuity plan.

Better control over employees' pay needed

The Ministry needs to better control employees' pay.

During the year, the Ministry reviewed its payroll costs during its review of monthly financial reports. However, the Ministry did not adequately review the accuracy of key payroll data for each pay period prior to paying employees. As a result, employees' pay has not been approved in accordance with *The Financial Administration Act, 1993*.

This weakness increases the risk that employees may be paid incorrect amounts.

2. **We recommend that the Ministry of Corrections, Public Safety and Policing adequately review the payroll for accuracy prior**

to paying its employees to ensure that all employees' pay is approved in accordance with *The Financial Administration Act, 1993*.

Processes to rehabilitate adult inmates

In Saskatchewan, the crime rate is high and former inmates often re-offend after their release into the community. The Ministry delivers programs and services to rehabilitate inmates and reduce re-offending.

Saskatchewan's provincial correctional centres house inmates sentenced for terms of less than two years. The average sentence is 5.25 months while the average time served is about 3.5 months after reductions for good behaviour, etc. About 35% of inmates have a further probationary term in the community. Before releasing inmates into the community, the Ministry must address the needs of inmates in a way that will reduce the risk of danger to the community. This audit examined how the Ministry rehabilitated adult inmates as of January 2008.

Background

The Correctional Services Act and *The Correctional Services Administration, Discipline and Security Regulations, 2003* govern the delivery of services to inmates.

The Ministry spent approximately \$74 million on adult corrections services in 2006-07 including approximately \$61 million at its four correctional centres. During 2006-07, the Ministry supervised an average daily count of 1,354 inmates in custody and over 5,900 participants per day in community correctional programs across the province.³ Services to rehabilitate inmates vary slightly by location in response to inmate needs, the infrastructure, and resources available.

Since the 1980s, international research shows that jails and other sanctions do not, on their own, reduce crime. Factors found to reduce criminal behaviour include assessment of risk and needs, timely and effective services, and community supervision. Since 2005, the Ministry has been actively updating its adult correctional services to better align

³ Saskatchewan Corrections and Public Safety 2006-2007 Annual Report, pp 5 and 36.

them with research findings. While enforcing sanctions, the Ministry aims to rehabilitate inmates with various services. Rehabilitation services include programs to influence social behaviours and reduce criminal thinking, treat addictions, enhance education, and increase skills for employment. The Ministry must provide these services in a secure environment and during the period of sentencing or supervision in the community as ruled by the courts.

Rehabilitated inmates have more opportunities to return to work and contribute to their community. If inmates do not receive rehabilitation services that meet their needs at the right time, they may commit further offences.⁴

As an indicator of correctional program effectiveness, the Ministry monitors the percentage of offenders who have completed custody and later are re-admitted to any corrections program. During 2006-07, 50% of inmates had re-offended within 24 months, up slightly from 48% in 2001-02.⁵ Not all provinces report the rate at which inmates re-offend but in a comparison done by the Ministry, Saskatchewan's re-offending rates are about 8% lower than those reported in a 2004 Ontario study.

Audit objective, conclusion, and recommendations

The objective of this audit was to assess whether the Ministry had adequate processes to rehabilitate sentenced adult inmates within provincial correctional centres as of January 31, 2008. We based the criteria set out in Exhibit 2 on various literature including reports of other auditors and consultations with management. Management agreed with these criteria.

Exhibit 2 – Inmate rehabilitation audit criteria

To have adequate processes to rehabilitate sentenced adult inmates within provincial correctional centres, the Ministry should:

- 1. Identify evidence-based practices to rehabilitate inmates**
 - 1.1. assess external research to identify evidence-based practices
 - 1.2. partner with external experts to validate selected practices
 - 1.3. evaluate rehabilitation strategies used in Saskatchewan

⁴ Canadian Criminal Justice Association. (2005). *Prison overcrowding and the reintegration of offenders*.

⁵ Corrections and Public Safety information system.

- 2. Use rehabilitation strategies relevant to inmate needs**
 - 2.1. assess inmates' rehabilitation needs consistently
 - 2.2. use case management processes
 - 2.3. allocate resources to priority rehabilitation strategies including core correctional practices
 - 2.4. train staff to use relevant strategies
 - 2.5. partner with other agencies
- 3. Deliver rehabilitation programs at the right time**
 - 3.1. establish priority programs for inmate target groups
 - 3.2. monitor timely access to priority programming
 - 3.3. revise programs based on inmates' progress

Our audit conclusion is that as of January 31, 2008, the Ministry of Corrections, Public Safety and Policing had adequate processes to rehabilitate sentenced adult inmates in provincial correctional centres except for completing timely assessments and case plans, and monitoring the delivery of rehabilitation programs.

- 3. We recommend the Ministry of Corrections, Public Safety and Policing consistently comply with its policies to assess inmates' needs (primary and secondary) and plan relevant programs.
- 4. We recommend the Ministry of Corrections, Public Safety and Policing facilitate inmates' access to key programming related to their offence prior to their release into the community, particularly if the offence was related to assault or bodily harm.
- 5. We recommend the Ministry of Corrections, Public Safety and Policing monitor the proportion of inmates accessing planned rehabilitation programs before the inmates are released into the community and enhance access to rehabilitation if required.
- 6. We recommend the Ministry of Corrections, Public Safety and Policing monitor re-offending rates in relation to rehabilitation programs to better evaluate its rehabilitation of inmates.

Findings—rehabilitating sentenced adult inmates

We highlight what we expected (our criteria) in italics below each heading, followed by our significant findings. We followed *The Standards for Assurance Engagements* established by The Canadian Institute of Chartered Accountants in carrying out this audit.

Identifying evidenced-based practices to rehabilitate inmates

We expect the Ministry to identify evidence-based practices to rehabilitate inmates by:

- ♦ *assessing external research to identify evidence-based practices*
- ♦ *partnering with external experts to validate selected practices*
- ♦ *evaluating rehabilitation strategies used in Saskatchewan*

The Ministry identifies evidence-based practices through its assessment of external research. Senior staff obtain research on practices that have been validated and found effective for rehabilitating inmates. The research comes from various sources, primarily North American universities and public institutions.

From this research, the Ministry identifies the key elements of best practice by conducting its own evaluations of proposed programs (e.g., *Thinking for a Change*⁶). The Ministry develops evaluation criteria through literature reviews and discussions with experts. To complete the evaluation process, the Ministry adjusts the program for use in Saskatchewan correctional centres and does pilot tests.

To support its evaluation of rehabilitation practices, the Ministry also works with a Research Forum⁷ and external experts such as criminologists and psychologists. These partners help the Ministry to validate the effectiveness of selected practices in Saskatchewan. For example, the Ministry is working with the University of Regina to research spousal-assault risk assessments.

⁶ *Thinking for a Change* is a problem-solving program including cognitive self-change and social skills.

⁷ The Research Forum includes members from the University of Saskatchewan, the University of Regina, the Saskatoon Health Region and the Saskatoon Regional Psychiatric Centre. The forum meets to share research information and to discuss current issues.

The Ministry also evaluates programs using a standardized program evaluation tool, the Correctional Program Assessment Inventory.⁸ The Ministry trains selected staff to evaluate programs using this tool.

Using rehabilitation strategies relevant to inmate needs

We expect the Ministry to use rehabilitation strategies relevant to inmate needs by:

- ♦ *assessing inmates' rehabilitation needs consistently*
- ♦ *using case management processes*
- ♦ *allocating resources to priority rehabilitation strategies including core correctional practices*
- ♦ *training staff to use relevant strategies*
- ♦ *partnering with other agencies*

A key rehabilitation strategy used by the Ministry is integrated case management. The Ministry designed case management to help prepare inmates to return to the community successfully, thus contributing to the overall safety of the community.⁹ Case management supports a coordinated team approach to rehabilitation.

Supervisors assign four to six inmates to each case manager. The case manager collaborates with others to do intake, information gathering, risk/needs assessment, and case planning for each inmate. The case manager also coordinates action on case plans, monitors inmates' progress, and arranges for transfers or assessment prior to closure.

The Ministry's policies require timely case management. The Ministry requires supervisors to assign a case manager within three days of admitting an inmate to a correctional centre. Within 28 days, the Ministry expects case managers to obtain information, complete assessments of risk and needs, and prepare case plans using standardized forms.

In our audit sample, case managers had completed the primary risk/needs assessments and case plans for 96% of inmates. Of the inmates sentenced for partner abuse and sexual or general assault, only

⁸ The Correctional Program Assessment Inventory is an instrument that examines program descriptions and operations in relation to more promising approaches to reducing re-offending as identified in research literature. It assists in programs development, program evaluation and refinement, and staff training.

⁹ Saskatchewan Corrections and Public Safety. (2005). *Integrated Case Management Policy*. p. 1.

17% received the required secondary assessment estimating the risk that an inmate will re-offend. Case managers need these assessments to plan priority access to relevant programs such as anger management for these inmates. Without these assessments and attendance at priority programs, inmates are more likely to re-offend and again assault or injure others.

The Ministry does not consistently comply with its policies for timely case management to identify inmate risks/needs and arrange access to relevant programs. For example, in our sample, only 30% of inmates had a case manager assigned within three days of admission to the correctional centre. Staff had timely access to the information required to do the case plans, but only 57% of inmates had a case plan within 28 days of admission. For case plans that were late, it took case managers about 49 days to complete the primary risk/needs assessment and case plan. In our audit sample, inmates' sentences varied but most commonly were 6-12 months as we excluded short-stay inmates to enable a fair test of timely case management. Without timely case plans, inmates are at greater risk of not receiving the programs that would contribute to their rehabilitation.

The Ministry directs its staff to use core correctional practices as a priority rehabilitation strategy. Core correctional practices are behaviours used by corrections staff to help rehabilitate inmates (e.g., problem solving, dealing with resistance, relationship factors, and effective use of authority).

The Ministry allocates resources to train its staff in the key areas of risk/needs assessments, integrated case management, and core correctional practices. The Ministry uses qualified, certified instructors to deliver programs. The Ministry also provides specific training to program staff. For example, the Ministry trained instructors for the new Emotions Management program at the Pine Grove Correctional Centre.

Through case management processes, case managers should identify specific needs for each inmate. The Ministry expects correctional centres to offer relevant programs targeted to meet identified inmates' needs. The Ministry delivers some programs directly (e.g., Violence Prevention Program) and contracts with community agencies to provide other programs. For example, the Ministry has contracts with health regions to

deliver addictions services and with the Prince Albert Healing Lodge to provide programming related to the First Nations culture and spirituality.

Delivering rehabilitation programs at the right time

We expect the Ministry to deliver rehabilitation programs at the right time by:

- ◆ *establishing priority programs for inmate target groups*
- ◆ *monitoring timely access to priority programming*
- ◆ *revising programs based on inmates' progress*

To deliver rehabilitation programs at the right time, the Ministry's policies require the use of inmates' risk/needs assessments and case plans to determine priority programs. As mentioned previously, these may not be timely. Inmates assessed as being at risk are allowed to participate in programs that target identified needs. For example, an inmate may need to participate in programs to improve anger management skills, treat addictions, and build skills to increase employability.

The Ministry offers programs to inmates after considering inmate needs and co-operation, security, seating availability, and scheduling issues. Program facilitators and counselling coordinators at the correctional centres maintain program schedules and waitlists for programs. The length of time in custody influences whether an inmate will complete programs for identified needs.

Through the integrated case management process, case managers complete progress reports every 60 days and update inmates' case plans. Case managers record programs taken and identify new needs or additional programs required. Case managers may refer inmates to community programs to address ongoing needs after their release.

Based on program evaluations and progress reports that re-assess inmate needs, the Ministry revises its programs as necessary. In addition, the Ministry annually reviews inmate records to assess overall whether staff use case management effectively.

The Ministry's senior management receives various reports throughout the year. For example, the Ministry reports the number of inmates in custody by location using the average daily census and related staffing

issues. Annually, the Ministry reports the number of inmates taking part in specific programs and new initiatives.

These reports to senior management do not analyze inmates' access to programs. The reports do not identify the number of inmates waiting to attend specific programs or the proportion of inmates who have access during their time in custody to all the programs required by their case plans. The reports do not explain why inmates might not attend required programs (e.g., inmate behaviour or illness, secure custody, short time in custody).

Thus, the Ministry does not know whether its rehabilitation programs meet performance expectations. The Ministry does not know whether most inmates receive priority programs prior to their release to the community. Reports to senior management should provide meaningful analysis. For example, reports to management should explain the percentage of inmates completing priority programs before release, the timeliness of access to programs during custody, and the percentage of inmates who the Ministry refers to relevant community programs if inmates do not attend the required programs during their time in custody.

The Ministry selects rehabilitation programs based on research evidence that the programs will reduce re-offending. The Ministry monitors the percentage of offenders who complete their term in custody and later re-offend. However, the Ministry does not have a way to monitor re-offending rates in relation to participation in rehabilitation programs overall or specific to individual programs. This information would strengthen program evaluations and help the Ministry revise its programs to rehabilitate inmates effectively.

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Status of other outstanding recommendations of the Standing Committee on Public Accounts

The following table provides an update on recommendations previously made by the Standing Committee on Public Accounts (PAC) that are not yet implemented and are not discussed earlier in this chapter.¹⁰

PAC REPORT YEAR¹¹	OUTSTANDING RECOMMENDATION	STATUS
Department of Corrections and Public Safety		
2007	PAC concurs: 10-1 that the Department of Corrections and Public Safety... should analyze and report quarterly to executive managers the department's progress toward planned outcomes.	Not implemented A follow-up is planned for 2008-09.

¹⁰ For the definitions of the key terms used in the table, see our 2007 Report – Volume 3, Chapter 25 – Standing Committee on Public Accounts, pp 398 to 399.

¹¹ PAC Report Year refers to the year that PAC first made the recommendation in its report to the Legislative Assembly.

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Education

3

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Main points

The Teachers' Superannuation Commission (Commission) needs to comply with its governance manual that outlines its governance processes. It also needs to develop and implement a strategic plan based on risks and a written communication plan. To ensure it has the human resources required to achieve its objectives, the Commission must identify its human resource needs and develop strategies to address any competency gaps.

To control public money relating to the benefits programs it administers, the Commission needs to establish and communicate to staff its policies and procedures. Also, it must obtain approval for bank borrowing as required by *The Financial Administration Act, 1993*.

To help ensure it receives accurate interim and annual financial reports for the pension plan and the benefits programs it administers, the Commission must provide complete and written guidance to staff for preparing interim and year-end financial reports. Such guidance will also help the Commission to give its annual report to the Legislative Assembly on time. The Commission also needs to provide more information to the Legislative Assembly about the benefit plans it provides for teachers. The Legislative Assembly should receive a report on activities and financial statements for each benefit plan.

Introduction

The Ministry of Education (formerly the Department of Learning) is responsible for the programs and services for early learning and childcare, pre-kindergarten to Grade 12 education, and public libraries. *The Education Act, 1995, The Child Care Act, and The Public Libraries Act, 1996* set out the Ministry's responsibilities. The Ministry is also responsible for certain special purpose funds and The Teachers' Superannuation Commission.

Our 2007 Report – Volume 3 reports the results of our audit of the Ministry's special purpose funds and the interim findings for the Ministry for the year ended March 31, 2007. At the date of that report, we had not yet completed the audit of the Ministry. We were examining the payment processes for the Education Technology Consortium projects. This work is not yet complete. If there are further matters to report upon completion of the audit, they will be reported in a future report.

In addition, our 2007 Report – Volume 3 did not include the results of our audit of the Teachers' Superannuation Commission (Commission) because we had not completed our audit.

This chapter sets out the results of the audit of the Commission and the pension and benefit plans it manages for the year ended June 30, 2007.

Teachers' Superannuation Commission

The Teachers' Superannuation Commission (Commission) operates under the authority of *The Teachers' Superannuation and Disability Benefits Act*. The Commission consists of seven members appointed by Cabinet.

The Commission administers the Teachers' Superannuation Plan (Plan) established under *The Teachers' Superannuation and Disability Benefits Act*. The Plan consists of the Teachers' Superannuation Fund, a defined benefit final average pension plan, and the Voluntary Contributions Fund that invests voluntary member contributions.

In 2006-07, the Plan recorded contributions of \$12.8 million from teachers and \$108.2 million from the Minister of Finance. At June 30, 2007, the

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Plan held total assets of \$1.8 billion and had accrued pension benefits (pension obligations) of \$4.8 billion resulting in an unfunded pension liability of \$3.0 billion. The Commission's 2007 Annual Report includes the Plan's financial statements.

The Commission also administers the following other benefit plans for teachers and their spouses and dependents.

- ♦ Teachers' Disability Plan (Disability) established under *The Teachers' Superannuation and Disability Benefits Act*
- ♦ Teachers' Dental Plan (Dental) established under *The Teachers' Dental Plan Act*
- ♦ Teachers' Group Life Insurance Plan (Group Life) established under *The Teachers' Life Insurance (Government Contributory) Act*

The Commission receives money from the General Revenue Fund (Ministry of Education) to pay for these benefit plans. In 2006-07, the Commission received and paid \$6.1 million in disability claims, \$8.6 million in dental claims, and \$4.7 million in group life claims. Teachers do not pay for disability and dental benefits and pay half of the premiums required for group life insurance. The Commission hired an insurance company to help administer the Dental and Group Life plans.

The Commission does not prepare complete financial statements for the Disability, Dental, and Group Life benefits plans. Instead, the Commission provides some financial information in the Plan's financial statements and the Commission's annual report.

The Commission is required to provide the Ministry of Education the operating results and financial position of the Plan and the benefit plans.

Our audit conclusions and findings

In our opinion, for the year ended June 30, 2007:

- ♦ the Commission had adequate rules and procedures to safeguard public resources except for the matters described below
- ♦ the Commission complied with authorities governing its activities relating to financial reporting, safeguarding public

- resources, revenue raising, spending, borrowing, and investing except for the matters described below
- ♦ the Teachers' Superannuation Plan's financial statements are reliable

Governance processes need improvement

In our 2007 Report – Volume 1 and past reports, we recommended that the Commission:

- ♦ develop and implement a strategic plan for the Teachers' Superannuation Commission that includes the Plan's goals and objectives, a summary of the key risks faced by the Plan and its members, and the key strategies to manage those risks
- ♦ develop and implement a written communication plan
- ♦ establish an information technology plan based on a risk assessment

The Standing Committee on Public Accounts (PAC) considered these matters in September 2004 and October 2006 and agreed with our recommendations.

As part of our 2007 audit, we assessed the Commission's progress towards addressing our past recommendations.

The Commission approved a strategic plan and an information technology strategic plan. However, it approved these plans before completing its assessment of risks for the Plan and the benefit plans. In September 2007, management provided the Commission with the Plan's and the benefit plans' risks and proposed strategies to manage those risks. Management told us the Commission plans to approve the draft risks and strategies in 2007-08.

In September 2007, management also gave members of the Commission a draft communication plan for approval.

We continue to recommend that the Teachers' Superannuation Commission develop and implement a written communication plan.

1. **We recommend the Teachers' Superannuation Commission develop and implement a strategic plan that includes its**

goals and objectives, a summary of the key risks it faces, and the key strategies to manage those risks.

2. **We recommend the Teachers' Superannuation Commission develop and implement an information technology strategic plan based on key risks faced by the Commission and the key strategies to manage those risks.**

In June 2006, the Commission approved a governance manual that outlines its governance processes. The Commission is not following all of the approved processes. For example, the manual requires the Commission to set out what authority it will delegate to management. The Commission has not yet done so.

Also, the governance manual requires the Commission to define and communicate to management the financial and operational information it needs to oversee all of its operations. While the Commission receives periodic financial and operational information, it has not assessed if it receives adequate information to fulfill its oversight responsibility. For example, the Commission is responsible for the administration of various benefit plans but does not regularly receive the operating results and financial position for each of these benefits plans. Without complete financial information, the Commission may not be able to fulfill its oversight responsibilities.

3. **We recommend that the Teachers' Superannuation Commission comply with its governance manual.**

Human resource plan needed

The Commission does not have a human resource plan.

An adequate human resource plan would help the Commission to have the right employees, in the right jobs, at the right time. An adequate human resource plan would:

- ♦ set out priorities and human resource needs that link to the Commission's strategic direction
- ♦ identify key human resource risks and any competency gaps in current resources

- ♦ set out strategies and implementation plans to bridge competency gaps

In 2005, the Commission identified some human resource risks, e.g., key staff nearing retirement. It also identified some strategies to address these risks. However, the Commission has not fully assessed its current and future human resource needs. Nor has it identified strategies to address gaps between its current and future workforce. It needs to do so in coordination with the Ministry.

The Ministry requires its agencies to assess formally if their employees have the competencies required to do their work including any training plans for employees to obtain the required competencies. The Commission has not made such an assessment. When employees do not have the needed competencies, they may hesitate to do assigned tasks or do them incorrectly. We noted that when a senior manager left the Commission, staff had difficulties preparing financial statements and addressing accounting issues promptly. These difficulties delayed the completion of the Commission's annual report.

4. **We recommend that Teachers' Superannuation Commission identify its human resource needs and develop strategies to address any identified competency gaps.**

Management told us that the Commission will co-ordinate its human resource analysis with the Ministry of Education. Management also told us that based on the analysis, the Commission will develop a strategy to address any identified competency gaps.

Administration of benefits plans need strengthening

As stated earlier, the Commission also administers the Teachers' Disability Plan, Dental Plan (Dental), and Group Life Insurance Plan (Group Life). However, the Commission does not have adequate rules and procedures to administer the Dental and Group Life benefit plans.

The Commission needs processes to ensure only eligible plan members receive benefits, benefits claims are properly authorized, and plan members pay their share of the costs. Also, it needs adequate management reporting and monitoring processes to ensure benefit plans

operate properly. When it uses external service providers to process benefit claims, it must make written agreements setting out each party's roles and responsibilities.

The Commission uses an external service provider to pay plan members' claims under the Dental plan. The Commission receives information from members and from school divisions about members of the plan. It updates the approved members list for the service provider. The Commission does not ensure that all the changes to the members list are valid and properly supported. As a result, the Commission may pay benefits to ineligible persons.

The Commission receives financial reports for the Dental plan. The monthly reports, however, do not agree (reconcile) to the monthly invoices the Commission receives from the insurance company for claim costs. The Commission could not tell us the reasons for the differences. Without agreeing the monthly invoices and financial reports, the Commission does not know that it only paid for eligible claims.

The Commission's service agreements for the Dental and Group Life plan do not fully address all significant matters. For example, the agreements do not establish the type and frequency of reports that the Commission needs to verify that eligible members receive the correct amount of benefits.

The Commission has bank accounts for the Dental and Group Life plans. The Commission's policies do not require its employees to reconcile regularly the recorded bank balances to the banks' records. Employees did not reconcile the recorded bank balances to the bank's records throughout the year.

The Commission's policies also do not require its employees to monitor the Dental and Group Life plans' cash needs including the need to borrow. The Dental plan's bank account was overdrawn (borrowing from the bank) throughout the year and the Group Life plan's bank account was overdrawn twice during the year. The Commission could not provide evidence that the Minister of Finance approved these borrowings. Under *The Financial Administration Act, 1993*, the Commission must obtain the Minister of Finance's approval before borrowing money.

The Commission does not maintain complete financial records for its benefit plans it administers. It has no financial records setting out benefits paid and owing to members, premiums collected and owing from members, and money received and owing from the General Revenue Fund. Nor does the Commission have financial records for administration costs and amounts it owes to others. Lack of adequate financial records increases the risk that public money could be lost or misapplied without ready detection. Also, lack of proper financial reporting for the benefit plans increases the risk the Commission will make decisions based on incomplete or inaccurate information.

- 5. We recommend the Teachers' Superannuation Commission:**
- ♦ maintain proper financial records
 - ♦ establish and communicate to staff policies and procedures to control public money relating to its benefit plans
 - ♦ obtain approval for bank overdrafts as required by *The Financial Administration Act, 1993*

Processes for preparing financial reports needed

The Commission does not have adequate accounting policies and procedures to prepare accurate interim and annual financial reports.

Agencies need accounting policies and procedures to provide staff with guidance in completing their tasks. Incomplete or unclear accounting policies and procedures increase the risk that staff may do their jobs incorrectly or late.

For the year ended June 30, 2007, the Commission did not receive complete interim financial reports. Staff prepared an interim financial report at March 31, 2007 for the Plan. The report was incomplete because it did not include all amounts due from or owed to others. For example, the report did not include the amount due from the General Revenue Fund for contributions.

The draft annual pension plan financial statements provided for audit contained several errors. Investments and amounts owing from the General Revenue Fund for contributions were incorrect. Also, staff did not follow the established accounting policies for recording investment

transactions. When informed of the errors, the Commission corrected some of them. In addition, the Commission did not prepare financial statements for its benefit plans.

6. **We recommend the Teachers' Superannuation Commission establish complete and written guidance for preparing its interim and year-end financial reports.**

Complete and timely annual report needed

The Teachers' Superannuation and Disability Benefits Act requires the Commission to submit to the minister a report on the activities of the Commission for the preceding year and financial statements showing the business of the Commission.

To be a good accountability document, the report should describe the Commission's goals and objectives, how it manages its key risks, what it has done, where it is now, and what it plans to do.

The Commission provides audited financial statements for the Teachers Superannuation Plan, and a report on the Plan and benefit plans it administers to the Legislative Assembly. However, the Commission provides limited information about the benefit plans and does not provide complete financial statements for those plans to the Legislative Assembly. Also, the annual report does not describe the goals and objectives of the benefit plans, the cost of providing those benefits, and who pays for them.

The Tabling of Documents Act, 1991 required the Commission to provide its 2006-07 annual report to the Legislative Assembly by October 28, 2007. The Commission gave its 2006-07 annual report to the Legislative Assembly on December 20, 2007.

7. **We recommend that the Teachers' Superannuation Commission's annual report include a report on the activities and the financial statements for each benefit plan the Commission administers.**
8. **We recommend the Teachers' Superannuation Commission provide its annual report to the Legislative Assembly by the date required by law.**

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Main points

The chapter reports the result of our work to assess the Department of Environment's (Ministry) processes to regulate contaminated sites at August 31, 2007. The Ministry had adequate processes to regulate contaminated sites except it needs to:

- ♦ establish an adequate system for tracking contaminated sites
- ♦ complete its risk assessments for contaminated sites and rank them in terms of priority
- ♦ complete its written guidance for monitoring contaminated sites
- ♦ prepare a communication plan for internal and external reporting on the status of contaminated sites

Introduction

The Department of Environment (Ministry) is responsible for managing, enhancing, and protecting the Province's natural and environmental resources and sustaining them for future generations. Information about the Ministry is available on its website (www.environment.gov.sk.ca/). Effective November 2007, the Department of Environment has been restructured and is known as the Ministry of Environment.

Our 2007 Report – Volume 3 includes the results of other audit work during 2007 at the Ministry and its special purpose funds and Crown agencies. This chapter reports the results of our audit of the Ministry's processes to regulate contaminated sites.

Regulating contaminated sites

The Ministry is responsible to protect and manage provincial environmental and natural resources to maintain a high level of environmental quality, ensure sustainable development, and provide economic and social benefits for present and future generations.¹ The Ministry is also responsible to promote stewardship of the air, water, and land in Saskatchewan and minimize the impact of pollution on the air, water, and land.

The Ministry recognizes that clean air to breath, clean water to drink, and clean land to support the people of Saskatchewan are the building blocks to a healthy Saskatchewan. Uncontaminated land is essential for human health, clean water, and safe food production.

Controlling potential impacts of contaminated sites helps minimize their harmful effect. Under *The Environmental Management and Protection Act, 2002* (the Act) and the related regulations, the Ministry has responsibility to control and direct how best to manage a contaminated site.

Regulating contaminated sites is necessary to prevent, minimize, or mitigate damage to human or ecosystem² health. The Ministry is

¹ 2006-07 Saskatchewan Environment Annual Report, p. 6.

² System involving interaction between organisms and the non-living environment.

responsible to identify contaminated sites, assess risks to human and ecosystem health, and determine who was responsible for contaminating the sites. It then must ensure appropriate remediation of the contaminated sites.

The Ministry uses a risk assessment approach and current standards to determine if an area of land is contaminated. As a regulator, the Ministry uses the principle of "Polluter Pays." Under this principle, the Ministry requires those who contaminate a site to do the remediation.³ The remediation process begins with site assessments to identify the risks, the impacts, and the appropriate remedial action and monitoring. The Ministry's role is to approve the remedial plans and ensure the identified polluter completes work in accordance with the approved plan. The Ministry also undertakes site assessments for abandoned sites on provincial land to determine their impact and the remedial action required.

Between January 1 and August 31, 2007, the Ministry responded to over 300 reportable hazardous spills and over 100 hazardous substances site remediation plans or assessments. At August 31, 2007, the Ministry regulated many potentially contaminated sites including 75 abandoned mines in northern Saskatchewan, 862 municipal landfills, and 629 sewage lagoons. In the year ended March 31, 2007, the Ministry spent \$225,000 to develop a five year abandoned mines remediation strategy and to conduct a site characterization⁴ of one high-risk abandoned mine site, \$30,000 to acquire spill equipment and training, \$160,000 to manage hazardous substances site management, and \$415,000 for grants to municipalities to support regional waste management.

What is a contaminated site?

Under the Act, the Ministry is required to regulate a site (e.g., lagoon, landfill, abandoned mine, industrial site) if it has contaminants at a level that may cause or has caused an impairment or damage to the environment or human health. Site operators are required to control and contain contaminants to avoid impairment or damage to the environment or human health. Contaminants include any solid, liquid, particulate, or

³ Examples of remediation include containment, excavation, and various physical, chemical, and biological treatments.

⁴ Site Characterization is a detailed on-site assessment at a known or suspected contaminated site to determine the extent and type(s) of contamination.

gases (e.g., mercury, oil, zinc, arsenic, uranium, mine tailings) that could harm the environment or living organisms. Regulations under the Act require mining and petroleum companies to have plans and financial assurances to help clean any contamination on land when they close operations permanently. Also, the Ministry's policy requires new industrial operations besides mining and petroleum companies to provide decommissioning plans and financial assurances to ensure the clean up of the site.

What risks do contaminated sites pose?

Ineffective regulation of contaminated sites could result in contamination of the air, water, and land. Contamination of the, air, water, and land could result in the environment and humans being exposed to high levels of hazardous substances. Also, contaminated sites can cause economic harm as valuable land may not be useable. It is far easier and less costly to prevent damage to human health and the environment than to try to correct it after contamination has occurred.⁵

Lack of adequate processes to identify, assess site risks, track, remediate, and monitor contaminated sites increases the risk that the Ministry may not be able to regulate contaminated sites promptly and effectively.

Our audit objective and criteria

The objective of our audit was to assess whether the Ministry of Environment had adequate processes to regulate contaminated sites at August 31, 2007.

We used criteria, set out in the exhibit below, to assess the Ministry's processes. We based our criteria on related work, reviews of literature including reports of other auditors, and consultations with management. The Ministry agreed with the criteria.

Throughout our audit, we followed *The Standards for Assurance Engagements* established by The Canadian Institute of Chartered Accountants.

⁵ 2002 Report of the Commissioner of the Environment and Sustainable Development to the House of Commons, Chapter 2 The Legacy of Federal Contaminated Sites, p. 2.

Exhibit—Audit Criteria

To adequately regulate contaminated sites, the Ministry should have processes to:

- 1. Identify potential contaminated sites**
 - 1.1 Obtain the expertise to identify potential contaminated sites
 - 1.2 Maintain written guidance to identify potential contaminated sites
 - 1.3 Maintain an updated listing of current and potential contaminated sites
- 2. Assess the risks sites pose**
 - 2.1 Determine who was responsible for contaminating a site
 - 2.2 Use accepted standards and guidelines to assess risks
 - 2.3 Evaluate risk assessments
 - 2.4 Prioritize contaminated sites based on risk assessments
- 3. Direct remediation of sites**
 - 3.1 Maintain written guidance for staff to oversee management of contaminated sites
 - 3.2 Request remedial plans based on current and potential risks
 - 3.3 Evaluate and approve remedial plans (e.g., cleanup or mitigation)
 - 3.4 Monitor remedial activities (e.g., inspect contaminated sites)
- 4. Monitor and report on the status of sites**
 - 4.1 Monitor sites at risk to ensure levels of contamination remain acceptable
 - 4.2 Implement communication plan to educate operators/owners of sites when and how to report contamination of sites
 - 4.3 Maintain communication plan to inform the public about contaminated sites

Our conclusion and findings

The Ministry of Environment had adequate processes at August 31, 2007 to regulate contaminated sites except the Ministry needs to implement processes for assessing, monitoring, tracking, and reporting the status of contaminated sites.

Key findings by criterion

The following describes, for each criterion, our expectations (in italics), our detailed findings for each criterion, and our recommendations.

Identifying potential contaminated sites

We expected that the Ministry would have processes to identify potential contaminated sites including:

- ♦ *obtaining adequate expertise to identify potential sites*
- ♦ *maintaining adequate written guidance to assist staff in identifying potential sites*
- ♦ *maintaining an updated listing of current and potential contaminated sites*

The Ministry has processes that help ensure it has appropriate expertise to identify contaminated sites. The Ministry hires employees with professional qualifications. For external resources, such as consultants, the Ministry is knowledgeable about the limited number of companies that have the necessary expertise to assess contaminated sites. The Ministry supports employees through development plans and training. For example, the Ministry requires its less-experienced employees to work closely with experienced employees. Also, the Ministry has a leadership training program to help develop and retain employees.

The Ministry has adequate written guidance to assist its employees in identifying contaminated sites. Employees are knowledgeable about the Act and regulations that outline how to identify and regulate contaminated sites.

It is challenging for any regulator of contaminated sites to identify all potential contaminated sites. The Ministry regulates potential contaminated sites by issuing permits to operators of commercial and industrial sites, lagoons, and municipal landfills. The Act requires operators to report any spill of a contaminant that may cause an adverse effect to the environment or pose a risk to public health or safety. Immediate reporting would allow the Ministry to communicate to first response teams and the responsible party to act quickly to protect humans and the environment. However, with self-reporting requirements, there is always the risk that the Ministry may not know about all hazardous spills.

The Ministry uses a computer system to manage some information about contaminated sites such as landfills and spills. However, employees do not always use or update the system appropriately. As a result, the system does not have accurate, up-to-date information. For example, employees did not update the database that records reported spills for about three months. Delays in updating data could result in delays in monitoring contaminated sites and remedial actions. Also, the Ministry's manual records relating to contaminated sites are not adequate. Without a complete and accurate tracking system for contaminated sites, the Ministry cannot effectively manage such sites.

1. **We recommend the Ministry of Environment establish an adequate system for tracking contaminated sites.**

In November 2007, management told us the Ministry is in the process of providing additional guidance to staff regarding the computer system for managing information about contaminated sites.

Assessing the risks of contaminated sites

We expected that the Ministry would have processes to:

- ♦ *determine who was responsible for contaminating a site*
- ♦ *use accepted standards and guidelines in assessing risks*
- ♦ *evaluate risk assessments and prioritize sites based on its risk assessments*

The Ministry follows the Act to determine who was responsible for contaminating a site. When the Ministry has identified who is responsible for the contaminant, the Ministry may require the site owner/operator to prepare and provide a formal risk assessment. However, the Ministry did not always receive the required risk assessments promptly. For example, the Ministry requested a site owner to provide a risk assessment in October 2005. At September 2007, the Ministry had not received the assessment and had not determined what remedial action might be required.

Risk assessments document the condition of sites, contaminants found, toxicity levels, health and human safety issues, and identify risks that require remedial action. The Ministry evaluates risk assessments using guidelines established by the Canadian Council of Ministers of the Environment.

The Ministry has ranked the various risks it faces including those from contaminated sites. Also, the Ministry has begun a process of assessing and ranking the risks of individual sites. For example, a risk assessment and ranking has been done for all lagoons and some landfills. The Ministry has not formally assessed and prioritized other potential contaminated sites such as industrial and commercial operations (e.g., storage facilities of hazardous substances). To manage sites that pose the greatest risks, the Ministry should complete its assessment of the risks and then rank sites in terms of priority.

For abandoned mines, the Ministry has performed a high-level risk review and ranking and physically secured some sites for public safety. The Ministry is responsible for assessing the risks and remediating non-uranium abandoned mines on provincial land. However, the Ministry has not done detailed risk assessments for the non-uranium abandoned mines.

2. **We recommend the Ministry of Environment complete its risk assessments for identified contaminated sites and rank them in terms of priority.**

In November 2007, management told us the Ministry has prepared a draft long-term strategy for assessing the risks of some non-uranium abandoned mines.

Remediating contaminated sites

We expected that the Ministry would have processes to:

- ◆ *maintain written guidance to oversee management of contaminated sites*
- ◆ *request remedial plans based on current and potential risks*
- ◆ *evaluate and approve remedial plans*
- ◆ *monitor remedial activities*

The remediation process may be triggered by any one of a number of events such as spills of pollutants, decommissioning activities, regulatory inspections, monitoring, and complaint investigations. The Ministry maintains written guidance such as internal documents, risk assessments, and regulations to help oversee remediation. Employees use this written guidance. For example, when dealing with petroleum-based contaminated sites, employees evaluate a remediation plan based on an internal document, *Risk-Based Corrective Actions for Petroleum Hydrocarbon Impacted Sites*, and the regulations under the Act. Also, employees evaluate the plan's ability to satisfy clean-up requirements related to the risk assessment performed on the site. *Risk-Based Corrective Actions for Petroleum Hydrocarbon Impacted Sites* provides the Ministry with a site management process specifically for soil and groundwater contamination originating from existing or former petroleum storage facilities and other petroleum-impacted sites.

The Ministry reviews and approves remediation plans prepared by operators of the land. Site-specific risk assessments determine the operators' remediation plans. The plans help the Ministry to determine the resources it needs to oversee planned remediation and the potential future uses of sites. The Ministry monitors clean up activities, focusing its resources on larger sites.

Monitoring and reporting on the status of sites

We expected the Ministry to have processes to:

- ◆ *monitor the status of contaminated sites depending on the level of contamination*
- ◆ *educate operators/owners of sites on when and how to report contamination of sites*
- ◆ *maintain a communication plan to inform the public about contaminated sites*

The Ministry does not monitor all contaminated sites. Rather it strives to monitor those sites where it determines the risk of harm to humans and the environment is higher. However, the Ministry has not documented its reasons for monitoring sites differently. For example, the Ministry issues permits to and monitors only some operators. As a result, the Ministry is not monitoring levels of contamination at some sites.

As stated earlier, for effective monitoring of contaminated sites, the Ministry needs to improve its processes for assessing and prioritizing risks. The Ministry should then complete its written guidance for employees for monitoring high-risk contaminated sites. The Ministry has written guidance for monitoring mines and mills including federal monitoring guides. It also has written guidance for monitoring lagoons and landfills. When the Ministry has completed its assessment of risks and written guidance, it can direct greater efforts towards those sites that pose the highest risks. Without complete guidance, the Ministry may not be properly monitoring contamination risks and preventing contamination. For example, the Ministry approved a permit with conditions for a potentially contaminated site. The Ministry, however, did not monitor the site to ensure the operator met the conditions of the permit. The operator spilled a petroleum product that ended up in Wascana Lake in the spring of 2007 requiring remedial action.

The Ministry needs a system to record relevant and up-to-date information about all contaminated sites. This system would help employees to evaluate and prioritize risks of all sites. It would also help employees to monitor the sites. Also, an adequate system would provide better information to management.

The Ministry makes operators and owners of potential contaminated sites aware of the requirements to prevent contamination of sites and when to report contamination. It does this through permits and guidance on its website, e.g., landfill management guidelines. The Ministry has a 24-hour spill line that allows site operators to report spills of contaminants.

The Ministry does not have a communication plan to report publicly on the status of contaminated sites. For example, there is no strategy on when and how to inform the public about the risks of contaminated sites. Management told us that the Ministry is developing a communication plan for contaminated sites.

The Ministry shares information on reportable spills with the public on a website (www.saskspills.ca). However, the information on the website is not up to date.

3. We recommend the Ministry of Environment complete its written guidance for monitoring contaminated sites.
4. We recommend the Ministry of Environment prepare a communication plan for internal and external reporting on the status of contaminated sites.

In November 2007, management told us that the Ministry had drafted a contaminated sites/spills communication plan.

Selected references

2002 Report of the Commissioner of the Environment and Sustainable Development to the House of Commons. Chapter 2. *The Legacy of Federal Contaminated Sites*. Ottawa: Author.

Annual Report of the Auditor General of Alberta 2002-2003. Edmonton: Author.

Auditor General of British Columbia (2002) Report 5. *Managing Contaminated Sites on Provincial Lands*. Victoria: Author.

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Saskatchewan Environment (2006). *2005-2006 Annual Report*. Regina: Author.

Saskatchewan Environment (2006). *Risk-Based Corrective Actions for Petroleum Hydrocarbon Impacted Sites* EFB 344. Regina: Author.

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Main points

The Ministry of Finance, primarily through the Public Employees Benefits Agency (PEBA), administers 18 government pension and benefits plans. For the year ending December 31, 2007, the financial statements of each of these are reliable. All plans had adequate rules and procedures to safeguard the public resources and comply with the authorities governing their activities, except for the following matters.

The Municipal Employees' Pension Commission continues to need a written, tested, and approved disaster recovery plan for its computer systems to help ensure that it can continue to operate effectively in the event of a disaster.

The Saskatchewan Pension Plan needs to improve its security policies and procedures for information technology.

At December 31, 2007, PEBA has signed service agreements with the pension and benefit plans that it administers. These service agreements set out the roles and responsibilities of PEBA and the plans, the services that PEBA will provide, and service delivery targets. We assessed the adequacy of PEBA's processes to manage the delivery of agreed-upon services to the pension and benefit plans for the period April 1, 2007 to December 31, 2007. We found PEBA had adequate processes except that it needs to explain significant differences between expected and actual results for each service standard described in the service agreements.

Introduction

The Ministry of Finance (Finance) helps the Government manage and account for public money. As part of these duties, Finance administers and is responsible for several special purpose funds and agencies.

Special purpose funds and Crown agencies

Finance is responsible for the following special purpose funds and agencies.

Year ended December 31

Extended Health Care Plan
Extended Health Care Plan for Certain Other Employees
Extended Health Care Plan for Certain Other Retired Employees
Extended Health Care Plan for Retired Employees
Municipal Employees' Pension Commission
Municipal Financing Corporation of Saskatchewan
Public Employees Deferred Salary Leave Fund
Public Employees Dental Fund
Public Employees Disability Income Fund
Public Employees Group Life Insurance Fund
Saskatchewan Pension Plan
Saskatchewan Power Corporation Designated Employee Benefit Plan
Saskatchewan Power Corporation Pre-1996 Severance Plan
Saskatchewan Water Corporation Retirement Allowance Plan
SaskEnergy Retiring Allowance Plan
SaskPen Properties Ltd.¹
SaskPower Supplementary Superannuation Plan
SGI Service Recognition Plan

Year ended March 31

Fiscal Stabilization Fund
General Revenue Fund
Judges of the Provincial Court Superannuation Plan
Public Employees Benefits Agency Revolving Fund
Public Employees Pension Plan

¹ Our Office has been denied access to this Crown agency since December 31, 1993 (see Chapter 8 of our 1999 Fall Report – Volume 2 for further discussion of the matter).

Chapter 5 – Finance

Public Service Superannuation Plan
Saskatchewan Infrastructure Fund
Saskatchewan Pension Annuity Fund
Saskatchewan Watershed Authority Retirement Allowance Plan

Our 2008 Report – Volume 3 will include the results of our audits of the agencies with years ending March 31, 2008. This chapter contains our audit conclusions and findings for the special purpose funds and Crown agencies with years ending December 31, 2007.

Our audit conclusions and findings

To form our opinions, our Office worked with Meyers Norris Penny LLP, appointed auditor for the Municipal Employees Pension Commission and Deloitte and Touche LLP, appointed auditor for the Saskatchewan Pension Plan (Plan). We used the framework recommended by the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors*.²

We did not rely on Deloitte and Touche's (D&T) opinion on the adequacy of the Plan's rules and procedures to safeguard public resources because D&T did not report the need to complete the documentation of the Plan's information technology processes. *The Provincial Auditor Act* requires us to do additional work when we are unable to rely on the reports of the appointed auditors. Our additional work consisted of reviewing the Plan's existing information technology security policies and procedures and discussions with management.

In our opinion, for the special purpose funds and agencies with December 31, 2007 year-ends except for SaskPen Properties Ltd:

- ♦ Finance and its agencies had adequate rules and procedures to safeguard public resources for these funds and agencies except for matters reported in this chapter
- ♦ Finance and its agencies complied with authorities governing activities of these funds and agencies relating to financial reporting, safeguarding public resources, revenue raising,

² To view a copy of this report, see our website at www.auditor.sk.ca/rrd.html.

spending, borrowing, and investing except for matters reported in this chapter

- ♦ the financial statements for these funds and agencies are reliable

This chapter also includes the results of our audit of the adequacy of the Public Employee Benefits Agency's processes to manage the delivery of agreed-upon services to pension and benefit plans for the period April 1, 2007 to December 31, 2007.

Municipal Employees Pension Plan

Background

The Municipal Employees' Pension Commission (Commission) is responsible for administration of *The Municipal Employees' Pension Act*. The Commission manages the Municipal Employees' Pension Plan (MEPP). The Commission's primary objective is to provide retirement benefits to members in accordance with the law. The Commission has contracted the Public Employees Benefits Agency to provide day-to-day administration of MEPP.

MEPP provides retirement benefits to some employees of school divisions and regional colleges, and employees of regional public libraries and other local authorities (e.g., rural municipalities) within Saskatchewan. MEPP is primarily a defined benefit pension plan.

These financial statements report contributions of \$38 million, transfers or payments of \$69 million, net assets of \$1.4 billion, and accrued pension benefits of \$1.2 billion.

Disaster recovery plan needed

The Commission needs a written, tested, and approved disaster recovery plan for its computer systems to help ensure that it can continue to operate effectively in the event of a disaster.

In our 2007 Report – Volume 1, we recommended that the Commission have a written, tested, and approved disaster recovery plan. In June 2007, PAC considered this matter and agreed with our recommendation.

The Commission needs a written, tested, and approved disaster recovery plan because it depends on its computer systems to provide critical services. The critical services include receiving and recording contributions from employers, handling transfers, and providing termination benefits, death benefits, and retirement benefits to members. The Commission must be able to provide these services even if a disaster disrupts its operations and services. Without an adequate disaster recovery plan, the Commission may not be able to provide its critical services.

The Commission continues to work on developing a disaster recovery plan for its critical services. For example, in 2007, the Commission improved its offsite storage of backups and began improving its recovery documentation. Management told us it has begun a program to test recovery processes for various disaster scenarios.

We continue to recommend that the Municipal Employees' Pension Commission have a written, tested, and approved disaster recovery plan.

Management told us the Public Employees Benefits Agency is in the process of providing an overall disaster recovery and continuity plan for all of the plans it manages.

Saskatchewan Pension Plan

Background

The Board of Trustees of the Saskatchewan Pension Plan (Plan) is responsible for administering *The Saskatchewan Pension Plan Act*. The Plan is a voluntary pension plan and is available to anyone between 18 and 69 years. Contributions to the Plan are locked in and vested and are used to provide the member with a pension at retirement.

The Plan's annual report includes its audited financial statements for the year ended December 31, 2007. These financial statements report

contributions of \$7 million, annuities to pensioners of \$7 million, and net assets of \$191 million.

Security policies and procedures for information technology (IT) need improvement

The Plan needs to complete the documentation of its IT security policies and procedures. The Plan's IT security policies must be documented, approved, and communicated to the Plan's staff through an on-going awareness program.

The Plan has adopted some IT policies and procedures, but the policies are not based on a documented threat and risk assessment. Written and approved IT security policies and procedures, based on a documented threat and risk assessment will help management ensure that the Plan's IT policies meet its needs.

1. We recommend that the Saskatchewan Pension Plan approve information technology security policies and procedures that are based on a documented threat and risk assessment.

Public Employees Benefit Agency - Managing service delivery

The Public Employees Benefits Agency (PEBA) is part of the Ministry of Finance. PEBA administers various government pension and benefit plans for employees of the Government of Saskatchewan and certain employees of municipal governments.³ PEBA has service agreements with the plans it administers. Those agreements set out the roles and responsibilities of PEBA and the plans, the services that PEBA will provide, and service delivery targets.

As administrator of the pension plans, PEBA serves about 63,000 active members and more than 12,000 pensioners on behalf of more than 1,000 participating employers. The benefit plans have about 77,000 members.⁴ The total assets of these pension and benefit plans are over \$6 billion.

³ Municipal governments include cities, towns, villages, rural municipalities, school divisions, regional libraries, colleges, and other designated organizations.

⁴ Saskatchewan Finance. (2007). *2006-2007 Saskatchewan Finance Annual Report*. www.finance.gov.sk.ca/annreport/FinanceAnnualReport0607/. (31 March 2008).

PEBA recovers its costs to administer these pension and benefit plans by charging the plans based on the costs incurred for each plan. For the year ended March 31, 2007, PEBA incurred \$9.7 million in administration costs and recovered those costs from the plans. The Public Employees Pension Plan and the Municipal Employees' Pension Plan account for approximately 75% of the administration costs.

At December 31, 2007, PEBA had signed service agreements with the following pension and benefit plans:

- ◆ Public Employees Pension Plan
- ◆ Saskatchewan Pension Annuity Fund
- ◆ Municipal Employees' Pension Plan
- ◆ Extended Health Care Plan
- ◆ Extended Health Care Plan for Retired Employees
- ◆ Saskatchewan Water Corporation Retirement Allowance Plan
- ◆ Saskatchewan Watershed Authority Retirement Allowance Plan
- ◆ SaskEnergy Retiring Allowance Plan
- ◆ SaskPower Designated Employee Benefit Plan
- ◆ SaskPower Pre-1996 Plan
- ◆ SaskPower Supplementary Superannuation Plan
- ◆ Saskatchewan Government Insurance Service Recognition Plan

PEBA must provide services that meet the requirements and targets described in the service agreements. Rigorous service delivery processes at PEBA will help promote a clear understanding of roles and responsibilities and maintain effective relationships with the plans.

Audit objective

The objective of our audit was to assess whether PEBA had adequate processes to manage the delivery of agreed-upon services to the pension and benefit plans (collectively called clients) for the period April 1, 2007 to December 31, 2007.

We followed *Standards for Assurance Engagements* established by The Canadian Institute of Chartered Accountants. Those standards require us to develop suitable criteria, review and evaluate relevant processes, and obtain sufficient and appropriate audit evidence to support our conclusions.

Audit criteria

We used the following criteria to assess the adequacy of PEBA's processes.

To have adequate processes to manage service delivery, PEBA should:

- ♦ monitor service delivery
- ♦ report on service delivery
- ♦ hold periodic service review meetings with clients
- ♦ make necessary changes to service delivery

We based these criteria on a review of available literature, our prior audit work, work of other auditors, and discussions with management. PEBA agreed that the above criteria are reasonable and attainable.

We describe the criteria more fully under detailed findings by criterion and recommendations.

Conclusion

We concluded that PEBA had adequate processes to manage the delivery of agreed-upon services to the pension and benefit plans for the period April 1 to December 31, 2007 except that it needs to explain significant differences between expected and actual results for each specific service standard described in the service agreements.

Detailed findings by criterion and recommendation

We describe below our detailed findings by criterion. For each criterion, we describe our expectations (*in italics*), findings, and recommendations.

Monitor service delivery

To monitor service delivery adequately, we expected PEBA to:

- ♦ *assign responsibility for monitoring and reporting on service delivery*
- ♦ *ensure appropriate systems are in place to collect and maintain information outlined in the service agreements*
- ♦ *verify the accuracy and completeness of information*

- ♦ *analyze the information*
- ♦ *conclude on compliance with service agreements based on analysis*

PEBA's service agreements with its clients define each party's responsibilities. PEBA assigns responsibility for managing service delivery to certain employees. Job descriptions and periodic checklists document specific employee responsibilities. PEBA has adequate systems to collect and maintain the information required by the service agreements.

PEBA has adequate processes to verify the accuracy and completeness of the information collected. Its employees compile and analyze information, identify and resolve any significant issues, determine compliance with the service agreements, and prepare written reports to the clients. However, PEBA needs to improve its analysis of information collected and reported to the clients as described below.

Where PEBA's service agreements contain specific service standards, (e.g., payments to members made within a specific number of days) PEBA reports actual results for each standard. However, PEBA explains differences between expected and actual results in total for all standards. Without adequate, documented explanation of such differences for each specific standard, the clients may not know and understand all significant issues and trends.

2. **We recommend that the Public Employees Benefits Agency explain significant differences between expected and actual results for each specific service standard described in the service agreements.**

Management told us that starting in 2008, PEBA is providing explanations for significant differences between expected and actual results for each service standard.

Report on service delivery

To report on service delivery adequately, we expected PEBA to:

- ♦ *prepare reports based on information collected*
- ♦ *identify key areas of risk in the reports*

- ◆ *review and approve reports*
- ◆ *provide reports to clients in accordance with agreements*

PEBA provides regular reports to its clients on service delivery. These reports provide information on specific service standards outlined in the service agreements and highlight significant areas of risk. PEBA reviews these reports prior to sending them to the clients.

The reports generally contain the information as required in the service agreements. However, as we reported earlier, PEBA needs to explain significant differences between expected and actual results for each specific service standard described in the service agreements.

Review service delivery

To review service delivery adequately, we expected PEBA to:

- ◆ *regularly meet with clients*
- ◆ *document results of meetings/discussions held with clients*

Senior employees of PEBA attend all meetings of the clients' boards of directors or trustees. They use this forum to discuss service delivery and other significant issues. PEBA employees document minutes for these meetings and significant issues for follow up and resolution. PEBA also uses telephone calls and emails to communicate with its clients. PEBA documents and follows up significant issues arising from these communications.

Change service delivery

To change service delivery adequately, we expected PEBA to:

- ◆ *take required actions*
- ◆ *communicate actions taken to the clients*

As described earlier, senior employees of PEBA regularly monitor service delivery. Where necessary, PEBA recommends changes to the service agreements and makes changes to its service delivery processes. Also, PEBA's clients periodically request changes to service delivery. Before making any changes to the service agreements or its service delivery processes, PEBA consults and agrees such changes with the clients.

Selected references

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Government Services

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Main points

This chapter reports on the adequacy of the processes that the Ministry of Government Services (Ministry) uses to maintain its vehicle fleet.

We concluded the Ministry did not have adequate processes at December 31, 2007 to maintain its vehicles in a safe condition and in an economical manner.

The Ministry needs to establish processes to ensure its vehicle fleet meets the safety standards of *The Traffic Safety Act*. The Ministry needs to keep reliable maintenance and repairs records for its vehicles. Senior management of the Ministry needs to receive reports to verify that vehicles are appropriately maintained.

Introduction

The Ministry of Government Services (Ministry) provides vehicles and fleet services to ministries and agencies of the Government of Saskatchewan. By providing these services centrally, the Ministry reports it is able to capture economies of scale, which help ensure effective and efficient operation and lower the cost of vehicle services to the Government.¹

The Ministry has assembled a fleet of 5,200 vehicles with a replacement cost of \$136 million. The Ministry's vehicles travel over 1.3 million kilometres in total each year. The Ministry's repair expenses for vehicles totalled \$5 million for the year ended March 31, 2007.

The Ministry looks after the maintenance for approximately 3,200 of its vehicles. For the other 2,000 vehicles that the Ministry owns, it contracts the maintenance of the vehicles to the user government agencies.

Proper maintenance of vehicles helps to ensure vehicles are safe and operated economically. All vehicles operated in Saskatchewan must meet certain minimum safety standards.² Detecting and correcting deficiencies before they develop into major defects results in lower maintenance costs. Proper maintenance also reduces fuel consumption and increases the vehicles' resale value.³

Without adequate fleet maintenance, the Ministry's vehicles may not be safe, nor operated economically.

Audit objective and conclusion

The objective of this audit was to assess whether at December 31, 2007 the Ministry had adequate processes to maintain its vehicle fleet in a safe condition and in an economical manner. In this audit, we focused our examination solely on the 3,200 vehicles maintained by the Ministry.

¹ Saskatchewan Property Management. *2006-07 Annual Report* p. 10.

² Government of Saskatchewan. *The Traffic Safety Act*.

³ United States. US General Services Administration. (2005). *Guide to federal fleet management*, sections 5.7.3 and 5.14.4.

Throughout our audit, we followed the *Standards for Assurance Engagements* established by The Canadian Institute of Chartered Accountants.

The exhibit below sets out the criteria that we used to assess the adequacy of the Ministry's processes. We based our criteria on international literature and the work of other auditors listed in the selected references. The Ministry agreed that the criteria are reasonable and attainable.

Exhibit – Audit criteria

To have adequate processes to maintain its vehicle fleet in a safe condition and in an economical manner, the Ministry should have:

- ◆ Leadership and corporate support
- ◆ Reliable and adequate information
- ◆ Monitoring and reporting

Based on our examination of the Ministry against the above criteria, we reached the following conclusion.

At December 31, 2007, the Ministry of Government Services did not have adequate processes to maintain its vehicle fleet in a safe condition and in an economical manner.

Management told us that the Ministry is finalizing requirements for development work on its fleet management system and that hiring processes are underway to address the current limitations in leadership, monitoring, and reporting.

Key findings (by criterion) and recommendations

We describe below what we expected (in italics) and key findings for the three criteria.

Leadership and corporate support

We expect the Ministry to provide leadership and corporate support to:

- ♦ *set standards to maintain its vehicle fleet*
- ♦ *define procedures to meet the standards*
- ♦ *carry out the maintenance work plan*
- ♦ *adequately communicate with vehicle users*

The Ministry must have processes to know that the vehicles in its fleet are safe. All vehicles operated in Saskatchewan must meet the minimum safety standards set by *The Traffic Safety Act* (Act). The Ministry must meet these standards. However, the Ministry does not have processes to ensure its vehicle fleet meets the safety standards of the Act.

The Ministry requires vehicle operators (i.e., the users of the vehicles from the various agencies) to appropriately maintain the Ministry's vehicles in a safe condition. Operators must do this by following the preventative maintenance suggested in the vehicle manufacturer's owners manual. The Ministry also directly sets some maintenance requirements (such as oil change intervals, tire wear inspection, brakes and front-end inspection every third oil change). The Ministry communicates these maintenance requirements to operators. This communication is not sufficient. As stated later, the Ministry does not have adequate records and procedures to know if operators carry out the maintenance requirements. Also, the Ministry does not allow vehicle operators to "request or purchase mileage interval inspections" (commonly known as safety inspections or maintenance inspections).

The Ministry does not know if it maintains its vehicle fleet in a safe condition and in a cost effective manner.

The Ministry helps control the maintenance cost of its vehicle fleet by setting certain purchase limits. The Ministry delegates to vehicle operators the authority to purchase up to \$200 of operating supplies and repairs at any one time without prior approval from the Ministry. The Ministry must authorize supplies and repairs greater than \$200 before such repair commences.

1. **We recommend the Ministry of Government Services establish processes to ensure its vehicle fleet meets the safety standards of *The Traffic Safety Act*.**

Management told us that it is developing new processes including semi-annual safety inspections and reporting. Management told us that it plans to implement the new processes in April 2008.

Reliable and adequate information

We expected that the Ministry would have processes to:

- ♦ *gather data*
- ♦ *verify the accuracy and completeness of data*
- ♦ *maintain integrity of data*

The Ministry has a system that records maintenance and repairs done on its vehicles. Because the Ministry uses the system to manage the vehicle fleet, the system must provide information that is timely, accurate, and complete. The system, however, is not reliable.

Employees update the system for repair authorizations upon approval and for maintenance and repair invoices when received from suppliers. The Ministry has not clearly defined who can update the system and how. Nor has it appropriately secured the system by restricting access and training staff. Most employees can record data but not all employees have sufficient training to do so. Management told us it supervises employees entering data into the system. Lack of proper training could result in employees not accurately recording data. We found several examples of repair data not accurately recorded (e.g., brake repairs).

2. **We recommend the Ministry of Government Services keep reliable maintenance and repairs records for its vehicles.**

Management told us the Ministry is reviewing its processes for data accuracy and integrity, and that process revisions, employee training, and system development work have been initiated.

Monitoring and reporting

We expected that the Ministry would

- ♦ *report progress against work plan*
- ♦ *monitor that standards are met*

The Ministry does not have adequate processes to monitor if the required vehicle maintenance procedures (i.e., those outlined in the vehicle manufacturer's owners manual) have been completed. Senior management of the Ministry do not receive reports to verify that required maintenance of vehicles occurred. Therefore, the Ministry does not know that it maintained its vehicles in a safe condition.

The Ministry monitors only one maintenance procedure related to economy. Semi-annually it monitors the need for oil changes. However, this procedure is not adequate because the Ministry does not follow up to ensure oil changes that are required are actually carried out.

If the Ministry does not maintain its vehicles in accordance with the manufacturer's recommendations, the manufacturer may refuse warranty repairs resulting in additional costs. Also, the fleet vehicles may not meet minimum safety standards of *The Traffic Safety Act*. Operating unsafe vehicles could bring harm to government employees and other users of the roads.

3. **We recommend that senior management of the Ministry of Government Services receive reports to verify that vehicles are maintained in a safe condition and in an economical manner.**

Management of the Ministry told us that as part of its revised process it will provide monthly summary reporting to the Ministry's executive management including targets and measures.

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Main points

The Ministry of Health (Health) prepared its surgical wait times report in accordance with the reporting principles of reliability, understandability, and consistency except the limitations in the wait times information is not adequately described. As a result, the report is not as useful as it could be in providing patients with an estimate of the time they will wait for surgery or where to have surgery, or to help management make decisions on health service allocations.

The Saskatchewan Association of Health Organizations (SAHO) has addressed three of our four recommendations for the payroll system it uses to provide payroll services to approximately 40,000 people in almost all health care agencies in the province. SAHO has strengthened its processes to ensure the integrity and availability of its payroll system. It continues to make progress on ensuring the security of the payroll system.

Health has made progress addressing our past recommendations on Saskatchewan's *Health Workforce Action Plan*. Health is working with other jurisdictions to develop a workforce projection model to provide information on the gaps in health sector human resources. It has also provided public information on strategies to develop the current health workforce.

Introduction

Effective November 2007, the Department of Health became the Ministry of Health. The mandate of the Ministry of Health (Health) is to protect and improve the health of Saskatchewan people. To do this, Health provides policy direction, direct services, and funding to health providers and health agencies.

This chapter includes the results of our audit of Health's surgical wait times report. It also describes progress on recommendations we made in two audits in 2006. The first was on Health's human resource plan and the second was on the Saskatchewan Association of Health Care Organizations' payroll system.

Surgical wait times report

Similar to other jurisdictions in Canada, Saskatchewan residents are concerned about the length of time they wait for necessary medical procedures such as surgery. According to Health, during the six months ended June 30, 2007, residents of Saskatchewan waited from less than three weeks to more than eighteen months for surgery, depending upon the type of procedures required.

Health uses the Surgical Care Network Surgery Registry (Registry) to improve the management of wait lists and to provide residents waiting for non-emergency surgery with information on wait times.

We audited whether the surgical wait times report for Regina Qu'Appelle Regional Health Authority is reliable, understandable, and consistent.

Background

Health maintains the provincial Surgical Care Network Surgery Registry based on data provided by regional health authorities (RHA) that provide surgical services in the Province. This registry is a centralized database of wait times information for surgical procedures anticipated or already performed in operating rooms (as opposed to surgery performed in procedure rooms). Health uses the database to make decisions on health

service allocations and to prepare public reports on wait times placed on Health's website.¹

Good management decisions on the allocation of health services within the province require reliable, understandable, and consistent data in the Registry. The same is true for good public information on wait times.

Each day, Health receives information from the RHAs on patients who are either waiting for or have had surgery. Health records this information in the Registry. Health encourages patients to use this information when considering their options such as the possibility of getting a referral to another specialist or hospital to receive treatment sooner.

Health also requires each RHA to use the wait list information from the Registry as one measure for publicly reporting their performance in their annual reports.

Audit objective

The objective of this audit is to conclude whether Health's surgical wait times report for the Regina Qu'Appelle Regional Health Authority (RQHR) at June 30, 2007 is prepared in accordance with the reporting principles of reliability, understandability, and consistency.² We did not assess the fairness or relevance of the measures (that is, whether this is the right information for report users to make decisions).

Health prepared the June 30, 2007 surgical wait times report (Report) using Registry information. The Report contains the number of patients waiting at June 30, 2007, the percentage of surgeries performed within specific time frames (e.g., within 3 weeks, 4-6 weeks), and the number of procedures completed between January 1 and June 30, 2007. These numbers are reported in total, categorized by surgical type and length of wait.

We based our criteria on practices recommended by The Canadian Institute of Chartered Accountants (CICA) for public performance reporting (Exhibit 1). Health agreed with the criteria.

¹ <http://www.sasksurgery.ca/>

² CICA, Statement of recommended practice – public performance reporting, SORP-2. (September 2006).

Exhibit 1—Criteria

For the surgical wait times report to be reliable, understandable, and consistent, performance information reported must be:

1. reasonably reliable
 - 1.1. free from significant error
 - 1.2. free from significant omissions
 - 1.3. produced by systems that control quality
 - 1.4. represents what it claims to represent (e.g., calculation methods reflect defined measures)
2. reasonably understandable
 - 2.1. appropriately explained
 - 2.2. provides the source of key data (e.g., information system or agency)
 - 2.3. discloses data limitations, if any
 - 2.4. discloses unusual events or circumstances impacting results
3. reasonably consistent
 - 3.1. prepared using consistent policies or practices
 - 3.2. compares results to prior or expected results
 - 3.3. explains if results are comparable to prior period

Source: The Canadian Institute of Chartered Accountants, Public sector statement of recommended practice, SORP-2, Public Performance Reporting, September 2006

To do our audit, we followed the Standards for Assurance Engagements of The Canadian Institute of Chartered Accountants.

The information in the June 30, 2007 Report is the responsibility of management of Health and RQHR. Management are responsible for the integrity and objectivity of the performance information reported in Health's surgical wait times report for RQHR at June 30, 2007. We expected Health and RQHR to maintain appropriate systems of internal control to prepare reliable wait times reports.

We examined the processes that Health and RQHR use to prepare and present a report that contains reliable, understandable, and consistent information. We obtained an understanding of these processes and evaluated whether they operated as Health and RQHR intended.

Audit conclusion

The information presented in the Ministry of Health's surgical wait times report for Regina Qu'Appelle Regional Health Authority at June 30, 2007 is prepared in accordance with the reporting

principles of reliability, understandability, and consistency except the limitations in the information are not adequately described.

As a result, the Report is not as useful as it could be in providing patients with an estimate of the time they will wait for surgery or where to have surgery, or to help management make decisions on health service allocations.

Also, we make three recommendations to help Health improve the information presented in its surgical wait times report.

The following describes our findings by criteria.

Findings by criteria

Reliability

To produce reliable results, we expected Health and RQHR to use systems that ensure their wait list information is reasonably accurate and complete (i.e., has no major errors or omissions). We anticipated Health and RQHR would collect and protect related data in a way that would control the quality of the data. We expected Health and RQHR to take steps to ensure reported results fairly represent the related objective and measure.

Each quarter, Health prepares the surgical wait times report (Report) for the public. The Report includes detailed breakdowns at the RHA level. Health relies on processes established at each regional health authority to collect data on the number of people waiting for each type of surgery and the number of surgeries performed each period.

Health documents the definitions and methods it uses to calculate the number of patients waiting and the surgeries performed. At each quarter-end date, Health calculates the number of surgeries performed in an operating room by surgical specialty. It also calculates the number of patients waiting for surgeries in an operating room by surgical specialty at the end of each quarter, and the length of time patients waited for surgery in an operating room by surgical specialty.

Health needs to better follow its processes to control the quality of the information it collects. The Registry uses a series of system edits to control the quality of information by identifying obvious data errors. For example, the Registry will flag an error if the booking date is before the birth date, or if the procedure or surgeon codes are not on the list of valid codes. The Registry automatically flags records with obvious data errors at the time of data entry or upload. Health expects each RHA to review these data errors and make corrections as necessary.

RQHR was not correcting all of the errors. Three per cent of the RQHR files contained data errors that either were detected by the Registry's edit checks or could not be properly processed. The missing and inaccurate data understated the reported number of patients waiting and the number of surgeries performed. RQHR and Health corrected most of these errors in the June 2007 data after we advised Health.

1. **We recommend that the Ministry of Health and Regina Qu'Appelle Regional Health Authority follow established processes to correct data errors in the Saskatchewan Surgical Care Network Registry.**

Management told us that Health and RQHR are now correcting all identified data errors in the Registry.

Understandability

To help ensure the information reported is understandable, we expected Health to report information in a way that people considering or waiting for surgery could understand and allow people to make informed health care decisions. We expected Health to explain the data, state the source of the data (e.g., surgical forms), and disclose significant limitations (e.g., gaps in data). We also expected Health to explain major events or situations that influenced the results.

The Report indicates that Health presents the Registry information to provide the public with the most accurate wait time information available. One of the purposes of the Report is to provide patients with a general estimate of time they will have to wait for surgery. On the website, Health encourages patients to consider their options, including the possibility of

seeking a referral to another specialist or hospital to receive treatment sooner.

Information in the Report is presented in a clear manner. The measures are relatively simple. For example, the measures include the number of surgeries performed in an operating room by speciality, number of patients waiting for surgery in an operating room by speciality, and the percentage of surgeries performed within specified time frames, e.g., within 3 weeks, 4-6 weeks, etc.

However, the Report and accompanying news release do not explain factors that influenced the results in the Report. For example, the Report does not explain the impact of a reduced number of surgeons on wait times. Although the Report states that the measures have gone up or down it does not explain why.

The Report explains that information reported is based on data submitted by the RHAs to the Registry. The Report describes data limitations under the tab "Data Sources."

The data limitations do not provide sufficient information to allow readers to meet a stated purpose of the website: to estimate the time they will wait for surgery. The Report's defines "patient waiting" as the number of persons included in the patient waiting totals by surgical speciality when a surgeon has informed the booking office that the patient is waiting for a procedure in an operating room. As such, the definition excludes many less complicated procedures that can be alternatively done in a procedure room rather than a fully-equipped operating room.

The Report advises readers that surgical locations, i.e., operating rooms versus procedure rooms, vary for the same surgical procedures by hospital, by surgeon, and by RHA but does not provide enough information for the reader to understand the impact on the report for different types of surgeries. For example, in RQHR, various tendon surgeries and non-replacement knee surgeries are done in both operating rooms and procedure rooms. The data limitations should inform the reader that if surgery is performed outside of an operating room, it is not tracked or reported in the Registry. The Report should also describe the amount of surgery done outside of an operating room to the extent this

information is known. We estimate that 35% of the surgeries at RQHR are done outside of operating rooms.

Patients considering their options need to know if the surgery they require is typically done in an operating room or a procedure room at each RHA before they can understand what the reported wait times mean and be able to use this information to make a decision. The current information may mislead people who are comparing the wait times between two RHAs because a specific surgery could be carried out in different places and by different types of surgical specialists but only the wait times for surgery performed in the operating room grouped by surgical speciality is reported.

The Report also notes that wait times do not include any delays that may occur between the date of the decision to have surgery and the date that the surgeon submits the booking form to the hospital. The Report states that while such delays should normally be short, there may be some cases where longer delays occur.

We found that some surgeons wait until very close to the actual date of the surgery to notify the hospital booking office. In 19% of the booking records we examined, patients had signed the surgical consent form at least three weeks before they were reported as waiting for surgery on the Registry. This statistic suggests that surgeons do not notify the hospitals' booking offices as promptly as Health expects.

The Report should describe the impact on waiting times resulting from the delays in submitting surgical requests.

2. We recommend the Ministry of Health and Regina Qu'Appelle Regional Health Authority periodically monitor how well surgeons follow the established processes to book patients in the Saskatchewan Surgical Care Network Registry and encourage them to follow the processes.
3. We recommend the Ministry of Health disclose sufficient information in the surgical wait times report so that readers can better understand the limitations of the information presented.

Consistency

We expected Health to use processes to provide wait list information on a consistent basis. For each measure, we expected Health to compare its reported result to a prior period. We also expected Health to calculate its results in the same way as in prior years (or, if not, explain the change).

In the Report, Health compares surgeries performed and people waiting for each Regional Health Authority by surgery to prior period numbers. Health uses reasonably consistent methods to calculate the result. It advises readers of significant changes to the calculation, e.g., new surgery types that were not counted in the previous report. It uses the same methods to calculate the information from one period to the next.

Currently, RHAs report the number and types of surgeries performed in operating rooms. Because the surgery location (operating rooms versus other procedure rooms) varies from region to region for less invasive procedures, the reported numbers of patients waiting, reported number of surgeries performed, and the reported length of the wait are not always comparable between RHAs.

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Saskatchewan Association of Health Organization's controls to secure the payroll system—a follow-up

The purpose of Saskatchewan Association of Health Organizations (SAHO) is to provide leadership, support, and services that will assist its membership in effectively delivering a comprehensive range of health services to the people of Saskatchewan. Services SAHO provides to its members include communications and advocacy, collective bargaining, human resources, administration, payroll, materials management, health and safety, and education. Its members are various healthcare providers within the province. The largest members are the regional health authorities (RHAs).

SAHO provides payroll services on a cost recovery basis. SAHO processes payroll for approximately 40,000 people. The total payroll expenses from the payroll system exceed \$1.5 billion. SAHO has a Human Resource Management Steering Committee represented by members from the RHAs. The Steering Committee makes recommendations to management of SAHO about changes to the human resource and payroll system.

The payroll system is comprised of three separate computer systems known as Payroll Front End (PFE), Batch Calculations (BATCH), and Internet Personnel Front End (IPFE). PFE is a system some SAHO members still use to transfer payroll data to SAHO for processing. This system is several years old and is in the process of being replaced. BATCH does all payroll calculations. BATCH also maintains data such as sick day and vacation accruals. IPFE will replace PFE. In addition to allowing SAHO members to transfer information to BATCH, IPFE also stores all payroll transactions processed. Therefore, SAHO members can use IPFE for reporting purposes.

In 2006, we audited SAHO's central controls to secure transactions on the payroll system. The central controls are SAHO's policies and procedures for ensuring the confidentiality, availability, and integrity of the payroll system. We reported our findings in Chapter 2E of our 2006 Report – Volume 3 and made four recommendations for SAHO to help improve its processes.

We recommended that SAHO:

- ◆ monitor the security controls of its Internet Personnel Front End (IPFE) service provider to protect SAHO's systems and data
- ◆ monitor the security controls of its external network service provider to protect SAHO's systems and data
- ◆ only allow authorized users access to its systems and data, follow established password standards, and protect its systems from known security risks
- ◆ appropriately test and document payroll system changes

The Standing Committee on Public Accounts considered these matters in June 2007 and agreed with our recommendations.

In January 2008, we assessed SAHO's progress to address our recommendations. We set out the results of our work below.

Monitoring the IPFE service provider

During 2007, SAHO assessed the controls at its IPFE service provider to ensure the security of the payroll information captured and reported by IPFE. SAHO determined it needs regular reporting on security from the IPFE service provider.

At the end of 2007, SAHO began receiving security reports monthly from the IPFE service provider. These reports include information on system availability, security breaches, and where the system may be vulnerable to outside attacks. However, these reports do not provide enough details to SAHO to allow it to assess whether security controls are working effectively. For example, SAHO should receive detailed findings of system vulnerability scans and review the follow-up actions taken by the IPFE service provider. SAHO told us it is working with its IPFE service provider to receive more details on security in the monthly reports.

SAHO also needs to include monthly reporting requirements into its agreement with its IPFE service provider. SAHO told us that it is drafting

a new agreement with the IPFE service provider that will encompass service level expectations.

We continue to recommend that SAHO monitor the security controls of its Internet Personnel Front End (IPFE) service provider to protect SAHO's systems and data.

Monitoring its external network service provider

SAHO now monitors the security controls provided by its external network service provider. SAHO performs its own internal monitoring of the security service that was previously provided by the external network service provider. Therefore, SAHO knows it is protecting its systems from unauthorized users.

Strengthening security for its payroll system

SAHO has strengthened its security processes to protect its system and data. SAHO has established password standards and is following them. Also, SAHO has implemented controls to protect its systems from security risks.

SAHO is now providing periodic user access lists to members (i.e., various healthcare providers within the province) that use the payroll system to allow them to remove and update users on a timely basis.

Testing system changes appropriately

SAHO now documents all of its test plans for changes to the payroll system and gets these test plans approved. Appropriate testing of changes helps protect the integrity and availability of the payroll system. SAHO is also maintaining all test results from those test plans.

Health sector human resources plan—a follow-up

In 2006, our office assessed whether *Saskatchewan's Health Workforce Action Plan* (2005) and related documents contained the key elements of a sound human resource plan. Our 2006 Report – Volume 1, Chapter 2 described our findings. We made two recommendations to the Ministry of

Health (Health). Our recommendations are set out in italics under the subheadings below.

The Standing Committee on Public Accounts agreed with our recommendations in October 2006.

This follow-up examined Health's progress up to March 31, 2008 to address our recommendations.

Information on gaps in health sector human resources

We recommended that Health present information on significant shortfalls or surpluses in human resources in its health sector human resource plan.

Health told us it is in the process of renewing its strategic direction for the health sector through initiatives such as a Patients' First Review and a Seniors Strategy. After it confirms its strategic direction, Health will be better able to project the human resources that the health sector will require over the long term.

Health is working with other Canadian jurisdictions to develop a workforce projection model. This model would help Health use data about the population and its health needs to forecast the human resources required in the health sector. Health told us it anticipates using this workforce projection model in future, after it renews the health sector's strategic direction.

Information on strategies to develop health workforce

We recommended that Health present information on succession planning and development strategies for its current workforce in its health sector human resource plan.

Health uses media releases to inform the public about its strategies to address issues in health human resources (e.g., international recruiting, compensation, professional development). Also, during 2007, Health reported publicly about its succession planning and development strategies for its workforce. For example, in February and April 2007, Health provided the public with formal updates of its health sector human

resource plan (*Progress Report Highlights: Saskatchewan's Health Workforce Action Plan*).

These *Progress Reports* explained action taken to address specific workforce issues including the number of physicians, laboratory technicians, registered nurses, registered psychiatric nurses, and licensed practical nurses. The *Progress Reports* also included information on training for succession purposes as members of the health workforce retire. The *Progress Reports* explained that Health provided resources for health agencies to help their staff upgrade or complete new training to prepare them for vacancies anticipated in the future.

Health is actively involved in strategies to recruit and retain a strong health workforce. When Health completes its renewal of the strategic direction for the provincial health system, it will be better able to make public a comprehensive long-term plan for human resources in the health sector. We will continue to monitor health sector human resources planning.

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Main points

The Saskatchewan Legal Aid Commission (Commission) is a Crown agency of the Ministry of Justice and Attorney General. Each year, the Commission provides over 21,000 applicants in financial need with legal advice and representation. It uses information technology (IT) systems to help deliver these services. The Commission must protect the confidentiality, integrity, and availability of these systems and data stored within them.

We assessed the adequacy of the Commission's processes used to protect its systems and data. We found the Commission needs to:

- ♦ update its IT security policies and procedures based on a risk assessment
- ♦ physically secure its network computers located in area offices
- ♦ follow its password standards and monitor user access to its systems
- ♦ adequately configure, update, and monitor its computers and network equipment
- ♦ store, secure, and test its backup of information stored on its computers
- ♦ develop and test a disaster recovery plan for its information systems and data

Introduction

The mandate of the Department of Justice (effective November 21, 2007 the Department became the Ministry of Justice and Attorney General (Justice)) is to uphold the rule of law, protect basic legal rights of citizens, and ensure good and proper administration of justice¹. Justice provides legal services for the Government and the people of Saskatchewan. Justice also administers registry systems for corporations and local registrars, and regulates pensions, credit unions, and businesses.

Justice is responsible for the operations of several trust and special purpose funds and Crown agencies including the Saskatchewan Legal Aid Commission.

This chapter contains the results of our audit of the adequacy of the Saskatchewan Legal Aid Commission's processes to secure its information technology (IT) environment.

Processes to secure its IT environment

The Saskatchewan Legal Aid Commission (Commission) was established on September 1, 1983 pursuant to *The Legal Aid Act*. The Commission provides legal advice and representation to people (clients) who meet the criteria defined in the Legal Aid Regulations, 1995. Generally, any person who receives social assistance is eligible to receive legal services.

The Commission provides legal services to over 21,000 applicants in financial need each year. The Commission plans to spend about \$18 million in 2007-08.²

The Commission has one central office and 14 area offices. The central office includes the Commission's senior management team. The central office manages human resources and financial administration. The area offices provide legal services to clients. The Commission's computer system stores privileged client information in each area office. The Commission recognizes it must keep privileged information secure and maintain the availability and integrity of its legal systems and data.

¹ Saskatchewan Justice, 2006-2007 Annual Report, pg. 4.

² Annual Report 2006-07, Saskatchewan Legal Aid Commission, pp. 15-16.

The Commission uses a contractor to manage its network and deliver information technology (IT) services. For example, the contractor installs new equipment and updates computers against known security threats. While the contractor manages most IT controls, area offices perform some IT controls. For example, each area office has a staff member responsible for making secured copies (backups) of privileged client data.

To protect the Commission's systems and support their effective use, the Commission must have adequate controls for its network and data. Unauthorized disclosure, loss, or inappropriate modification of information could harm legal aid clients.

Audit objective and criteria

The objective of our audit was to assess whether the Saskatchewan Legal Aid Commission had adequate processes to secure its information technology environment for the period from November 1, 2007 to January 31, 2008. The Commission's information technology environment includes its computers, systems, data, and network equipment.

We used criteria to assess the Commission's processes. We based the criteria on the *Trust Services Criteria and Principles* authored by The Canadian Institute of Chartered Accountants and the American Institute of Certified Public Accountants, international standards, literature, and reports of other legislative auditors. The Commission agreed with the criteria.

The criteria, set out in the exhibit below, describe the key processes that we expected the Commission to use to secure client systems and data.

Exhibit 1 — Audit criteria

To secure its information technology environment for the period from November 1, 2007 to January 31, 2008, the Commission should:

1. **Show management commitment to security**
Responsibility for security is clearly defined
Information Technology planning supports security
Management has approved security policies and procedures
Management monitors security
2. **Protect systems and data from unauthorized access**
Physical security controls protect legal offices from unauthorized access
User access controls protect the systems and data from unauthorized access
3. **Keep systems and data available for operation**
System and data backups occur and are tested
Disaster recovery plans are in place and are tested
4. **Maintain the integrity of systems and data**
Change management processes exist and are followed
Computer operation processes exist and are followed

Throughout our audit, we followed *The Standards for Assurance Engagements* established by The Canadian Institute of Chartered Accountants.

Audit conclusion

The Saskatchewan Legal Aid Commission had adequate processes to secure its information technology environment for the period November 1, 2007 to January 31, 2008 except for the matters described in the recommendations below.

Key findings by criterion

We describe below what we expect (in italics) and key findings for each criteria.

Show management commitment to security

Commitment includes setting up an organizational structure that clearly defines who is responsible for security. A member of senior management leads an information technology (IT) division. It has a steering committee

to ensure the IT division meets client needs. Management effectively monitors contractors who perform work on its behalf. Commitment also includes implementing and monitoring compliance with security policies and procedures.

A senior staff member has responsibility for IT. The senior staff member oversees a contractor who performs IT work for the Commission. The Commission retains the responsibility for the security and availability of its systems and data. The contractor does not store or retain any Commission systems or data.

The Commission works closely with the contractor to set priorities and determine work plans. The contractor makes changes to systems and is responsible for keeping the systems and data available. The contractor does not regularly perform security assessments on the Commission's systems and data.

The Commission approved a three-year IT strategic plan in 2007. Senior management, key resources at the area offices, and contract resources worked together to prepare the plan. The Commission also has an IT steering committee that meets quarterly.

The Commission has some policies and procedures to protect its systems and data. However, the Commission's existing policies are outdated and not based on its risks. For example, the Commission does not have policies and procedures for updating, monitoring, or configuring its systems. The Commission needs to develop a complete set of policies and procedures for its systems and data based on a risk assessment. The Commission then needs to share the policies and procedures throughout the agency so that employees are aware of their security responsibilities.

- 1. We recommend the Saskatchewan Legal Aid Commission update its information technology security policies and procedures based on a risk assessment.**

Protect systems and data from unauthorized access

We expect the Commission to have adequate physical access and user access processes that protect the systems and data from unauthorized access.

Good physical controls means protecting IT infrastructure from harm. Physical access controls protect all computers, network devices, disk drives, backup devices, and wiring from unauthorized access. For example, the Commission should physically prevent unauthorized users from entering its data centre.

User access controls ensure only approved people or processes can use an IT system. A common example of a user access control is a username and a password. The username identifies the user and the password grants access.

Protecting systems from unauthorized access is more critical with the increased use of the Internet, automated processes, and multiple area offices. The Commission should protect its data by configuring, updating, and monitoring its systems against security threats.

The Commission has area offices throughout the province. All area offices have locks on the outside doors to prevent unauthorized access during non-working hours. However, the Commission does not have consistent security requirements at area offices. For example, we observed that some area offices leave outside security doors open. Open security doors allow unauthorized access to an area office.

Each area office uses a central network computer (server) to store legal data. Only two offices secure their server in a locked server room. For all other locations, the server and backup tapes (electronic copies of data stored) are readily available to anyone who gains physical access to the office. Also, the Commission does not have policies and procedures related to the transportation or safe storage of backup tapes.

2. **We recommend that the Saskatchewan Legal Aid Commission physically secure network computers (servers) located in its area offices.**

The Commission has an informal process for granting and removing user access to its IT systems and data. However, the Commission does not have documented policies and procedures for granting and removing user access. The Commission should document its processes to help protect against unauthorized user access.

The Commission's password policy is adequate. However, the Commission needs to consistently follow password standards, restrict the use of administrator accounts, and disable or remove inactive accounts. For example, approximately 15 staff share the administrator account and the password is not regularly changed.

The Commission does not monitor failed access attempts to its network, periodically review user accounts for appropriateness, or securely store master passwords. For example, only one person knows the master password for key network equipment. If that person was not available, the Commission would not have access to key network equipment. The Commission should store master user account information in a secure location so that it will be available if needed.

- 3. We recommend the Saskatchewan Legal Aid Commission follow its password standards and monitor user access for its systems.**

The Commission has a computer network that could provide an appropriate foundation for secure service delivery. To provide for a secure network, the Commission needs to properly configure its computers and network equipment (e.g. firewalls). The Commission also needs to update its systems and network equipment against known security threats and provide effective monitoring.

The Commission needs to secure its network equipment. For example, the Commission's network equipment had configuration weaknesses that could allow an unauthorized user to gain access to its systems and data. The Commission also needs to strengthen its remote access processes.

The Commission has adequate processes to protect it from a computer virus. The Commission is also improving the security of its staff computers and network servers. For example, the Commission plans to encrypt all data stored on its laptop computers.

The Commission strengthened its processes for updating its servers during the audit period. However, the Commission does not have processes for updating its network equipment. The Commission needs to update its network equipment for known security risks.

The Commission does not log or monitor its network equipment that protect its systems and data. The Commission cannot identify attempted or successful security breaches on a timely basis without an adequate review of log information.

4. **We recommend the Saskatchewan Legal Aid Commission adequately configure, update, and monitor its computers and network equipment.**

Keep systems and data available for operation

We expect the Commission to have adequate processes to ensure its systems and data are available for operation when needed.

Even with good backup and recovery procedures, an agency may not be able to continue its operations if a major problem occurred. Therefore, agencies should have contingency plans to recover operations in the event of a disaster like a fire or flood. This includes building capacity, when cost effective, into systems so a disaster in one location will not cause applications to quit running at other locations where employees are still able to work.

The Commission stores privileged legal information at each area office. Each area office is responsible for performing daily backups of this information. The contractor provides assistance upon request by an area office.

The Commission needs to implement effective processes for storing, securing, and testing backups. We found that some area offices do not store data backups offsite. This could result in an area office's data being lost in the event of a disaster. The area offices that do store backups offsite need improved security controls. For example, data backups should not be stored in unsecure areas. The Commission also needs to perform tests to check whether the data backups worked successfully.

Without adequately securing and testing its backups, the Commission is at risk of loss or disclosure of privileged client information.

The Commission does not have an up-to-date disaster recovery plan. The Commission needs to prepare a plan based on a threat and risk assessment.

The Commission has been able to restore individual systems and data when required (for example, when files are lost or computers replaced). However, without an approved and tested plan, the Commission does not know if it could restore all systems and data in the event of a disaster. This could result in systems, data, and services being unavailable when needed.

5. We recommend the Saskatchewan Legal Aid Commission adequately store, secure, and test its backups of information stored on its computers.
6. We recommend the Saskatchewan Legal Aid Commission develop and test a disaster recovery plan for its information systems and data.

Maintain the integrity of systems and data

We expect the Commission to have processes for maintaining the integrity of client systems and data by implementing adequate change management and IT operation processes. Adequate processes require approving and testing system changes before implementation. The Commission also needs to ensure that it has adequate processes for running and maintaining its computers.

The Commission lacks adequate processes for configuring, updating, and monitoring its systems and data. We describe these findings and recommendations earlier under the heading "Protect systems and data from unauthorized access."

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Main points

PSC is a central human resource agency primarily for staff employed by government ministries.

PSC is responsible for the computerized human resources and payroll system. This system contains personnel and payroll information. PSC had adequate central controls to protect the confidentiality, integrity, and availability of transactions on this system with two exceptions. First, it did not have adequate policies and procedures for monitoring user access to the system. Second, PSC did not provide user agencies with updated written guidance over the approval of payroll payments and sufficient information to help them monitor the accuracy of their payroll.

Introduction

Under *The Public Service Act, 1998*, the Public Service Commission (PSC) provides leadership and policy direction for the human resource management of staff employed primarily by government ministries. Government ministries employ more than 12,000 staff working in permanent full-time, permanent part-time, term and labour service positions.¹

PSC provides the human resource policy framework in which government ministries must operate. It is also the employer representative for all the ministries in labour negotiations. The quality and strength of PSC's policies and human resource strategies are important to not only the success of PSC but also to the success of the ministries.

For further details on PSC's mandate and governing legislation, consult its publications at its website www.gov.sk.ca/psc.

This chapter contains the results of our audit of PSC's central controls to secure transactions on the Multi-informational Database Applications human resources and payroll system (MIDAS HR/Payroll). Our 2008 Report – Volume 3 will include the results of the rest of our audit work at PSC.

Controls over MIDAS HR/payroll

Background

Since March 2006, PSC is responsible for the MIDAS HR/Payroll system. At March 31, 2008, 22 ministries used MIDAS HR/Payroll to manage employee information (e.g., benefits, salary, job assignment, and training) and process payroll transactions for themselves and about 20 other government agencies.

Given PSC's overall responsibility for the MIDAS HR/Payroll system, it must have adequate central controls to secure MIDAS HR/Payroll and its information. Central controls are those controls that PSC must establish

¹ Saskatchewan Public Service Commission website (accessed April 3, 2008).

and carry out to protect the confidentiality, integrity, and availability of MIDAS HR/Payroll transactions.

Our audit objective and criteria

The objective of our audit was to assess whether PSC had adequate central controls to protect the confidentiality, integrity, and availability of transactions on MIDAS HR/Payroll for the twelve-month period ending December 31, 2007.

To make these assessments, we used criteria based on the *Trust Services Criteria and Principles* authored by The Canadian Institute of Chartered Accountants and the American Institute of Certified Public Accountants, as well as international standards, literature, and reports of other legislative auditors. PSC has agreed with the criteria.

Our criteria, set out in the Exhibit 1 below, describe the key processes that we expect PSC to have.

Exhibit 1 – Audit criteria

Adequate central controls to protect the confidentiality, integrity, and availability of transactions include control processes that:

- 1. Show management commitment to security (governance)**
 - 1.1. Responsibilities for security are clearly defined
 - 1.2. Management identifies threats and risks
 - 1.3. Management has approved security policies and procedures
 - 1.4. Management monitors security
- 2. Protect systems and data from unauthorized access**
 - 2.1. User access controls protect the system and data from unauthorized access
 - 2.2. Physical security controls protect the system and data from unauthorized access
- 3. Make systems and data available for operation**
 - 3.1. System and data backups occur and are tested
 - 3.2. Disaster recovery plans are in place and tested
- 4. Maintain the integrity of systems and data**
 - 4.1. Management has policies and procedures for managing the system and data
 - 4.2. Change management processes exist and are followed
 - 4.3. Management monitors system to ensure it is operating as planned

In this chapter, we call the ministries that use MIDAS HR/Payroll “user agencies.” User agencies rely on PSC, as a service provider, to have adequate central controls, carry them out properly, and have responsibilities related to processing data within the system accurately.

This audit did not assess the adequacy of controls at the user agencies. Rather, it focused on central processes at PSC to ensure MIDAS HR/Payroll was functioning properly.

Throughout our audit, we followed *The Standards for Assurance Engagements* established by The Canadian Institute of Chartered Accountants.

Our audit conclusion and findings

PSC had adequate central controls to protect the confidentiality, integrity, and availability of transactions on MIDAS HR/Payroll for the twelve-month period ended December 31, 2007 except:

- ♦ PSC needs policies and procedures for monitoring user access to MIDAS HR/Payroll
- ♦ PSC needs to provide user agencies with updated written guidance over the approval of payroll payments in accordance with *The Financial Administration Act, 1993*, and MIDAS HR/payroll reports to help them monitor the accuracy of payroll and approve payroll payments in accordance with *The Financial Administration Act, 1993*

The following sets out our expectations (in italics) and significant findings.

Protect MIDAS HR/Payroll systems and data from unauthorized access

We expect PSC to have adequate physical access and user access processes to protect the MIDAS HR/Payroll from unauthorized access.

Good physical controls means protecting IT infrastructure from harm. Physical access controls protect all computers, network devices, disk drives, backup devices, and wiring from unauthorized access. For example, physical control processes prevent unauthorized persons from entering facilities.

User access management means protecting information in the IT system from unauthorized access. Access management is more critical with the increased use of the Internet, on-line approvals, automated processes, and multiple agencies accessing MIDAS HR/Payroll. Both service providers (i.e., PSC) and user agencies have responsibilities for protecting the system from unauthorized access. Service providers must have processes to monitor system user access assigned by user agencies and take corrective action where access may no longer be appropriate.

User access controls limit access to systems and data. A common example of a user access control is use of usernames and passwords. A username identifies the user and the password grants access. User access controls also establish access rights. Access rights determine what information a user can see or use. Access rights can also segregate duties of employees. User agencies decide which employees should have access to their systems and data and what access rights they can have. Service providers (e.g., PSC) must provide access only as directed and approved by user agencies.

PSC has good physical security controls for protecting MIDAS HR/Payroll. For example, PSC physically secures its offices after hours. PSC has contracted SaskTel to operate and protect access to the computer networks related to the MIDAS HR/Payroll system. PSC monitors SaskTel's compliance with the contract. Under the contract, each year, PSC receives an audit report on the adequacy of SaskTel's related controls.

PSC has clearly defined roles for users within MIDAS HR/Payroll and has appropriately separated the duties of users for each of these roles. User agencies are responsible for assigning roles to their staff in a way that is appropriate based on their operations and needs.

Except for inactive accounts, PSC has sound processes for granting and removing user access to MIDAS HR/Payroll based on direction received from user agencies. For example, PSC accepts requests to change user access (including changes because of new hires and terminations) only from those persons at a user agency authorized to approve such requests. PSC determines whether the user agency's change request is properly authorized before making the change.

Since December 2007, PSC has required user agencies to carry out periodic reviews of their users' access to MIDAS HR/Payroll. It asks each user agency to confirm that access for users listed on a report it provides is appropriate. However, PSC does not ask user agencies to review their inactive user accounts and it does not automatically deactivate access of inactive users. We found a number of instances where user access was not removed in a timely manner.

Reviewing inactive user accounts is often referred to as a 'stale account process'. Such a process identifies user accounts not used within a certain timeframe (e.g., 90 days) and either automatically cancels or requires action from the user agency to continue access to these accounts. This reduces the risk of unauthorized access.

We previously reported this matter in our 2007 Report – Volume 3 (Chapter 20).

1. **We recommend the Public Service Commission have policies and procedures for monitoring user access to MIDAS HR/Payroll.**

Maintain the integrity of the MIDAS HR/Payroll systems and data

We expect PSC to have processes for maintaining the integrity of MIDAS HR/Payroll systems and data by implementing strong change management and operational processes. Processes include approving and testing system changes before implementation and managing the IT system to ensure it operates as planned.

PSC has trained its staff and key staff of user agencies to use MIDAS HR/Payroll. PSC has developed policy and procedure manuals to help staff perform most of their MIDAS HR/Payroll related responsibilities. However, PSC needs to keep these manuals up-to-date as processes change.

Under *The Financial Administration Act, 1993 (Act)*, s.28 "every payment out of the general revenue fund is to be made...in the manner that the Provincial Comptroller may direct or approve." This includes payroll payments. The Act also expects that an authorized individual, before

making payment, certify that the services have been provided and that the amount to be paid and its payment is in accordance with the contract (e.g., terms of employment).²

The Financial Administration Manual (FAM) provides user agencies with general guidance on processing and approving payroll payments³ and directs them to the more detailed guidance in PSC's policy and procedure manuals. PSC's policy and procedure manuals and guides (including guidance posted on the PSC MIDAS website) do not include explicit guidance on processing and approving payroll payments to ensure compliance with the Act. User agencies need written guidance to ensure payroll payments are processed and approved in accordance with the Act.

2. **We recommend the Public Service Commission provide user agencies with written guidance on the processing and approval of payroll payments in accordance with *The Financial Administration Act, 1993*.**

PSC has adequate processes for making changes to its systems. These processes include a written change management policy, procedures, and use of a change management committee that meets weekly to review changes. PSC tests and approves changes to the system.

User agencies are responsible for the accuracy of the information entered into MIDAS HR/Payroll. PSC retains responsibility for the accuracy of the processing of the information entered.

During 2007, PSC started to develop processes for managing MIDAS HR/Payroll to ensure it operates as planned. It carries out reconciliations to determine the accuracy of processing of information entered at user agencies.

Built-in validation processes and automatic reporting to user agencies of unusual data can limit the risk of an IT system processing unreasonable data. MIDAS HR/Payroll has built-in validation processes (edit checks) for some data entered by user agencies (such as timecard information) but not all key data. PSC told us that it does not plan to develop additional

² *The Financial Administration Act, 1993*, s. 30 "Certification".

³ For example, FAM sections 3120 and 3122.

edit checks. This lack of edit checks increases the need for reports to help determine the accuracy of data entered.

User agencies are responsible for the accuracy of the data entered into MIDAS HR/Payroll each pay period and approval of the payroll each pay period in accordance with the Act. MIDAS HR/Payroll does not automatically report or highlight to user agencies all instances where an employee's payroll amount is in excess of a reasonable amount (reasonability checks).

PSC recognized that user agencies need information each pay period to carry out their responsibilities. Each pay period, PSC made payroll reports available to user agencies prior to their staff being paid. These reports set out the net pay of each employee of the user agency for that pay period.

PSC expected user agencies to use these reports to confirm the accuracy of their payroll for each pay period (that is, to identify and follow up the entry of unusual data or potential data entry errors) prior to staff being paid. In 2007, PSC also expected user agencies to have processes to approve the payroll each pay period prior to staff being paid.

However, some user agencies found that the available reports did not contain sufficient information to enable them to detect errors or unusual pay amounts efficiently. Not providing user agencies with sufficient information increases the risk that user agencies may not detect incorrect or inappropriate data resulting in employees being paid at incorrect amounts.

We previously reported this matter in our 2007 Report – Volume 3 (Chapter 20).

3. We recommend the Public Service Commission provide user agencies with reports from MIDAS HR/Payroll that will help them monitor the accuracy of payroll and approve payroll payments in accordance with *The Financial Administration Act, 1993*.

During 2007, PSC consulted with user agencies to develop a revised report that would enable them to monitor payroll and identify errors and

exceptions more readily. PSC expanded the information in the report based on needs identified by the user agencies. The revised report contains sufficient information to enable user agencies to approve payroll payments in accordance with the Act. PSC made this report available to user agencies in February 2008. PSC has also developed another report for user agencies which highlights payroll payments in excess of reasonable amounts.

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Main points

Saskatchewan Institute of Applied Science and Technology (SIAST) plays an important role in preparing skilled workers. In our 2006 Report – Volume 1 (Chapter 3, pp. 45-57), we set out the results of our audit of human resource processes used by SIAST. We reported that, as of January 2006, SIAST had adequate human resource processes to build human capacity except for four areas. In brief, we recommended that SIAST improve how it:

- ◆ analyzes competency gaps in its entire workforce
- ◆ identifies and plans to address barriers to its human capacity
- ◆ informs key staff about trends and effective strategies to overcome barriers to human capacity
- ◆ monitors human resource risks and evaluates progress

By March 31, 2008, SIAST had taken some action on all four recommendations. Further action is required.

SIAST told us that restructuring for a more strategic approach and staff vacancies delayed SIAST's response. SIAST plans further action on the recommendations.

Introduction

Saskatchewan Institute of Applied Science and Technology (SIAST) is a public post-secondary education institution that prepares people for work in areas such as the trades, health sciences, and technology. SIAST's role is increasingly important to train replacement workers for those retiring from the workforce.

For the year ending June 30, 2007, SIAST's financial statements report revenues of \$174.4 million, expenses of \$173.7 million, and assets of \$86.2 million. The financial statements are on the website www.siastr.sk.ca in the *SIAST 2006-2007 Annual Report*.

SIAST has about 1,500 fulltime employees.¹ Effective human resource processes help agencies take timely action to hire and keep the right people. Forward thinking and innovative employees will help SIAST to achieve its objectives and prepare for the future.

This chapter explains action taken by SIAST up to March 31, 2008 on audit recommendations we made in 2006 about SIAST's human resource processes.

Building human resource capacity—a follow-up

In our 2006 Report – Volume 1 (Chapter 3, pp. 45-57), we concluded that at January 31, 2006, SIAST had adequate human resource processes to build human capacity except for its processes:

- ♦ to analyze and communicate workforce gaps and barriers
- ♦ to evaluate progress towards current and future human capacity needs

In 2006, we made four recommendations. On October 4, 2006, the Standing Committee on Public Accounts concurred with our recommendations. The recommendations are set out in italics under the relevant headings in this chapter.

¹ *SIAST 2006-07 Annual Report* p. 24 (number of employees), p. 34 (expenses).

SIAST has taken some action on all four recommendations and plans more. Further action is required.

Analyze competency gaps

In 2006, we recommended that SIAST analyze competency gaps for its entire workforce and provide periodic updates to the board.

SIAST is working to build a foundation that will allow it to analyze competency gaps for its workforce in the future. Restructuring its human resources helped SIAST move toward more proactive human resource planning. In addition, SIAST listed competencies required for key positions and began to revise position descriptions and recruiting materials to describe required competencies.

In 2007, SIAST assigned human resources staff to provide services to specific program areas (e.g., health, construction trades). This enabled these staff to achieve a greater depth of understanding of the issues faced in particular sectors and to anticipate problems. Human resources staff now work more closely with senior managers. Together they use a "workforce planning tool" to identify market issues and collect information about positions requiring expertise that is difficult to recruit. When complete, SIAST expects this information will help it analyze potential workforce gaps and make timely reports to the board about significant workforce gaps and possible solutions.

SIAST needs to make better use of its human resources information system to analyze frequent vacancies across all SIAST campuses and programs. For example, SIAST needs to know if certain types of positions are often vacant. In 2007, SIAST hired a recruitment-retention specialist to track vacant positions and consider the cause of the vacancies. When SIAST analyzes its information about vacant positions, it will be better able to tell the board about trends and take timely action to avoid workforce gaps.

Identify barriers to human capacity

In 2006, we recommended that SIAST identify barriers to its current and future human capacity and provide the board with a plan to address the significant barriers.

SIAST needs to clearly identify and inform the board about current barriers to human resource capacity. SIAST has begun collecting information (in its new "workforce planning tool") about critical positions that are hard to recruit. This information will help it identify current barriers to human resource capacity across SIAST. The two barriers SIAST emphasized in 2007 were a competitive labour market and total compensation.

SIAST is using strategies such as market stipends to facilitate hiring into hard-to-recruit positions where compensation is a barrier. For example, to manage vacancies, SIAST approved a market stipend for the campus-nurse position, raising the rate of pay to reflect the pay offered for similar positions elsewhere in the province.

During 2007, SIAST analyzed labour market trends and barriers to human capacity in an ad hoc way related to specific recruiting challenges. A more comprehensive approach to identifying and analyzing barriers would help SIAST avoid long vacancies resulting in competency gaps. In 2008, SIAST is developing a recruitment and retention plan to address various barriers to human capacity. It also plans a more strategic approach to market stipends and other ways of dealing with compensation issues.

Inform staff about workforce trends

In 2006, we recommended that SIAST regularly inform staff involved in the recruiting process about trends in workforce gaps across SIAST and effective strategies to overcome barriers to human capacity.

At SIAST, operational managers initiate the hiring process and commonly make hiring decisions. Human resources staff facilitate the recruitment process. Operational managers monitor employment patterns in the relevant industries and may share this information informally when recruiting for a specific position. SIAST expects its human resources staff to monitor employment trends in assigned industries and to make ad hoc verbal reports of their findings.

SIAST needs a more formal, regular process to share workforce information among those involved in recruiting. SIAST's senior managers and human resources staff should routinely inform each other about

trends in workforce vacancies and the supply of workers to replace staff who leave.

In 2007, SIAST human resources staff met twice with all senior managers to present best practices in human resource management and recruiting strategies. For example, a human resource manager explained an alternate way to coach employees and support effective performance. SIAST also discussed with its senior managers some effective strategies to overcome common recruitment barriers.

Monitor human resource capacity

In 2006, we recommended that SIAST's board work with management to identify the content and frequency of reports necessary to monitor human resource risks and evaluate progress toward its human capacity objectives.

SIAST has not identified the reports it needs to monitor human resource capacity. Performance measures are a board strategic priority for 2008, but in 2007 SIAST did not have performance measures related to human resource capacity. It does not routinely report human resource statistics to senior managers or the board. Human resources staff should inform senior managers about positions with high turnover and programs that have severe recruiting challenges. SIAST could then more effectively identify causes and find timely solutions.

In 2007, SIAST's board monitored a variety of risks through its Mid-year Performance Report. Recruiting and retaining talented staff was a board priority and an identified risk to SIAST's ability to achieve its objectives. However, the 2007 Mid-year Performance Report did not contain any human resource statistics or workforce trends. We continue to recommend that SIAST monitor human resource risks and evaluate progress toward its human capacity objectives.

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Main points

The protection of intellectual property is very important to the Saskatchewan Research Council (SRC) because its business involves research and development for itself and others. To fulfill its mission, SRC must effectively manage intellectual property. It must identify and protect the intellectual property that it develops and it must respect the intellectual property of its partners and clients.

This chapter reports the results of our audit of how well SRC manages intellectual property. SRC had adequate processes to manage intellectual property, except it should:

- ♦ follow its policies for management of intellectual property
- ♦ make an agreement with its wholly owned company (subsidiary) for ownership and management of intellectual property
- ♦ complete its central recording of all significant intellectual property
- ♦ implement performance measures to help it manage intellectual property

Introduction

The mission of the Saskatchewan Research Council (SRC) is to "help the people of Saskatchewan strengthen the economy with quality jobs and a secure environment." It seeks to do this through "research, development, and the transfer of innovative scientific and technological solutions, applications and services."¹ It is also empowered to conduct research under contract for others.

In 2007, SRC had revenue of \$36.4 million and expenses of \$34.1 million. At March 31, 2007, SRC held assets of \$26.3 million.

SRC also manages the Saskatchewan Research Council Employees' Pension Plan (Plan). At December 31, 2007, the Plan held assets of \$21.3 million and had a surplus of \$42,000.

Our audit conclusions and findings

In our opinion, for the year ended December 31, 2007:

- ♦ SRC had adequate rules and procedures for the Plan to safeguard public resources
- ♦ SRC complied with the authorities governing the Plan's activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing
- ♦ the Plan's financial statements are reliable

The remainder of this chapter contains the results of our audit of SRC's processes to manage intellectual property.

Managing intellectual property

To deliver services and achieve their objectives, agencies must effectively manage their assets. This includes not only their physical assets but also intangible assets including intellectual property.

¹ Saskatchewan Research Council, *Annual Report 2006/2007*, inside front cover.

Intellectual property refers to the creations of the mind, such as inventions, symbols, names, pictures, and designs. Patents, trademarks, copyrights, and industrial designs are examples of specific rights regarding intellectual property.²

Agencies, including those in the public sector, need to identify their intellectual property assets to protect and exploit those assets. Agencies also require effective processes to identify and manage risks related to their use of others' intellectual property. As demonstrated in high-profile claims and litigation, offending the intellectual property rights of others can damage the interests and reputation of an agency.

Intellectual property at SRC

SRC's mission involves research and development as well as the transfer of technology. SRC has divided its research and technology operations into the following areas:

- ♦ Agriculture, biotechnology, and food
- ♦ Alternative energy and manufacturing
- ♦ Energy
- ♦ Environment and forestry
- ♦ Mining and minerals

SRC carries out projects and provides services to partners and clients in each of these areas. Many of SRC's activities in these areas involve the use of intellectual property.

To fulfill its mission, SRC must effectively manage intellectual property. SRC must identify and protect the intellectual property that it develops. It must carefully manage intellectual property risks as it transfers solutions and commercializes its work.

SRC must also respect the intellectual property of its partners and clients. As well, SRC must obtain and maintain the necessary rights to use the intellectual property of vendors (for example, software) that enable it to deliver its services.

² Canadian Intellectual Property Office, p.3.

Without appropriate processes to identify and manage intellectual property, SRC may fail to protect important research, miss opportunities to commercialize solutions, lose potential revenue, and risk offending others' rights, resulting in costs and legal complications.

Our audit objective, criteria, and conclusion

The objective of our audit was to assess whether SRC had adequate processes to manage intellectual property at November 30, 2007. Throughout our audit, we followed the *Standards for Assurance Engagements* established by The Canadian Institute of Chartered Accountants.

To assess the adequacy of SRC's processes to manage intellectual property, we used the criteria set out in the Exhibit below. SRC agreed that the criteria are a reasonable standard for assessing its processes.

Exhibit—Audit Criteria

Adequate processes to manage intellectual property include:

- ◆ Leadership and corporate support
- ◆ Identification of intellectual property
- ◆ Management of ownership
- ◆ Monitoring and protection
- ◆ Evaluation and reporting

Primary source: Australian National Audit Office, *Intellectual Property Policies and Practices in Commonwealth Agencies*

We concluded that at November 30, 2007 the Saskatchewan Research Council had adequate processes to manage intellectual property except that it should:

- ◆ follow its policies for management of intellectual property
- ◆ make an agreement with its wholly owned company (subsidiary) for ownership and management of intellectual property
- ◆ complete its central recording of all significant intellectual property
- ◆ implement performance measures to help it manage intellectual property

Key findings (by criterion) and recommendations

We describe below what we expected (in italics) and key findings for the five criteria.

Leadership and corporate support

We expect agencies to be committed to managing intellectual property to ensure that it is protected and available for use.

Senior management is accountable for intellectual property held or used by the agency. An intellectual property policy helps define the importance of intellectual property to the agency. An agency should use its policy to align how it manages intellectual property with the agency's strategic objectives and the risks it faces. The agency's intellectual property policy should set out the principles and criteria by which intellectual property assessments are made and identify who is responsible for making them. The policy should set out who is responsible for developing, approving, and maintaining the agency's intellectual property plan.

The intellectual property plan should define the types of intellectual property that the agency will need to identify and actively manage. The plan should reflect the importance of particular intellectual property to the objectives of the agency. This helps determine the amount of active management needed for that intellectual property.

The plan should include appropriate training (i.e., awareness and education activities) on intellectual property issues. It should also allocate sufficient resources to manage the agency's intellectual property needs. The policy and the plan should be communicated throughout the agency.

SRC's policies for managing intellectual property are governed, in part, by legislation. *The Research Council Act (Act)* provides that SRC holds the rights to discoveries, inventions, and improvements made by its employees.

SRC has formal policies for intellectual property. SRC's policies guide its decisions and set out mechanisms for managing intellectual property-related risks. The policies assign responsibility for making decisions that

affect intellectual property. For example, SRC's policies require that the CEO approve decisions involving royalties and licensing.

SRC has an overall plan for managing intellectual property, and related issues are included in its main strategic and operational plans as well as other planning documents. These plans indicate how intellectual property risks affect SRC, how it intends to manage its intellectual property, and the training that it expects to deliver to employees to protect intellectual property. The plans identify the importance of intellectual property to SRC by explaining the benefits and risks. Through its plans, SRC has provided staff with a comprehensive strategy for identifying, managing, and protecting intellectual property.

SRC's intellectual property-related training includes presentations given by senior management. These presentations describe intellectual property processes and challenges. SRC provides some information to all employees and delivers more detailed information to specific internal groups.

SRC has also trained staff in a computer system that it is implementing to track contracts as well as intellectual property. This training helps promote awareness of the importance of intellectual property and of the need to identify, monitor, and track intellectual property through the system. SRC also builds awareness of intellectual property issues by having employees acknowledge and agree to an intellectual property policy annually.

SRC has allocated resources for managing and identifying intellectual property. SRC allocates resources for managing intellectual property through its wholly owned company (subsidiary) responsible for intellectual property. Job descriptions for several SRC employees explicitly describe intellectual property-related duties.

Identification of intellectual property

We expect agencies to identify and record significant intellectual property.

To manage intellectual property appropriately requires knowledge of the intellectual property used by the agency. Intellectual property may be

obtained from external parties through purchase or licence agreements. Intellectual property may also be developed by the agency.

Agencies need to determine the significance of the identified intellectual property to the strategic objectives of the agency. Agencies need to record significant intellectual property centrally. This should include a description of the intellectual property and where, when, and by whom it was created/purchased, the details of ownership rights (e.g., owned, licensed), who holds the intellectual property, who is directly responsible for its management, and the status of any protection. Documenting this information centrally helps ensure that intellectual property is appropriately managed across operating areas.

To manage intellectual resources adequately to achieve objectives, appropriate staff need access to this information. This awareness and informed use of intellectual property helps avoid duplication.

SRC has a process to systematically identify and evaluate possible intellectual property. The process uses disclosure forms to help employees flag potential intellectual property.

Under the identification and evaluation process, SRC discusses the potential intellectual property with employees and gathers further information. SRC assesses the proposed intellectual property against criteria to determine whether, and how, it could protect the property. If the proposed intellectual property meets the criteria, SRC develops a strategy for the intellectual property and takes steps to protect it.

Part of the identification and evaluation process involves SRC providing rewards to employees for bringing forward new intellectual property. These rewards are intended to motivate staff to identify intellectual property and help SRC to identify and protect its assets.

As noted, SRC's computer system allows it to gather and record information about intellectual property. SRC maintains central records for some types of intellectual property that it owns (i.e., patents and trademarks). SRC also maintains a separate record of publications (which are automatically protected by copyright, whether registered or not). SRC does not yet maintain central records for other types of intellectual property (such as industrial designs, trade secrets), although it plans to

expand its record keeping to track additional kinds of intellectual property. To obtain an accurate and complete inventory listing for all intellectual property, SRC plans to follow up with each area in the agency.

- 1. We recommend that the Saskatchewan Research Council complete its central recording of all significant intellectual property.**

Management told us that it concurs with the recommendation. Management told us that its processes are already underway and that it plans to expand its recordkeeping to include all significant intellectual property.

Management of ownership

We expect agencies to determine the appropriate level of ownership of intellectual property and secure that level of ownership.

In its management of ownership decisions for intellectual property, an agency will likely require different levels of ownership (i.e., levels of rights and interests) for different intellectual property assets. The amount of control required over the intellectual property relates to the use of the property to further the objectives of the agency. Management decisions on ownership range from full ownership (e.g., develop, buy), to rights to use (e.g., license), to rights to use and modify (e.g., license then change property) to other combinations resulting in less than full ownership.

Intellectual property issues are best approached before the creation/purchase of specific intellectual property. Therefore, the agency should consider intellectual property ownership issues before property is acquired, contracts are signed, tenders are invited, or consultants are hired.

Intellectual property issues should be a standard part of the agency's processes. For example, ownership rights and clauses should be clearly stated in contracts with outside parties and employees. These contracts should also include non-disclosure and confidentiality clauses where necessary.

To manage ownership of intellectual property, staff need to be aware of potential issues and receive appropriate training.

SRC's Act and policies determine how SRC approaches intellectual property issues, the positions it takes, and the interests it seeks.

SRC's policies permit it to vest its intellectual property rights in its subsidiary. SRC's subsidiary owns and manages some of SRC's intellectual property. SRC does not have an agreement or other formal process for the transfer of intellectual property between SRC and the subsidiary, for subsidiary management of SRC's intellectual property, or to make SRC's policies extend to the subsidiary. This increases the risk of inconsistent protection of intellectual property between the two agencies. The lack of an agreement between the two agencies can also make it harder to defend certain intellectual property rights against challenges from outside parties.

- 2. We recommend that the Saskatchewan Research Council make an agreement with its wholly owned company (subsidiary) for ownership and management of intellectual property.**

Management told us that it plans to review the status of its wholly owned subsidiary and plans to discontinue its operations. Management told us that SRC plans to review all assets, liabilities, and contractual obligations of its subsidiary in order to transfer all rights and responsibilities to SRC.

SRC requires employees to sign a conflict of interest and code of ethics form at the start of employment and annually thereafter. SRC has a process to ensure that all employees sign these forms. Employees agree to disclose intellectual property that they develop and that the intellectual property belongs to SRC. SRC's Board members are also required to sign a code of ethics and conflict of interest form.

SRC makes contracts with its partners, clients, and vendors. The contracts explicitly set out rights and obligations regarding intellectual property. SRC's processes for review and signing of contracts require consideration of intellectual property issues. As noted, procedures require the CEO to approve contracts where intellectual property (including royalties and licensing) is involved.

Monitoring and protection

We expect agencies to monitor and protect intellectual property.

Agencies need to monitor their use of intellectual property that they own or have secured rights to use. Agencies also need to monitor others' use of agency-owned intellectual property (i.e., that they have commercialized). Agencies must monitor potential infringement of intellectual property rights, by the agency or by others, and appropriately address any identified infringement issues.

An understanding of the issues and processes to seek advice and make decisions can help ensure intellectual property is appropriately protected. It can also significantly lower the risk of agency infringement of others' intellectual property rights.

The protection of intellectual property is vital to SRC because its business involves research and development for itself and others. SRC has many dealings with clients and partners. As noted above, SRC has processes to protect intellectual property in the agreements it reaches with clients and partners. It also protects intellectual property through other processes, such as having employees specifically agree to protect the intellectual property of SRC and its clients, and requiring visitors to SRC to sign confidentiality agreements.

To monitor its use of others' intellectual property, SRC needs to know what it has the right to use and what it is actually using. SRC does not systematically verify that it maintains adequate licensing for software that it uses. SRC has approved a policy regarding software licensing. Under the policy, SRC maintains licenses centrally. The policy provides that SRC is to carry out regular audits to promote compliance. SRC approved the policy shortly before the date of our examination and had not carried out any audits.

3. **We recommend that the Saskatchewan Research Council follow its policy to regularly verify that it complies with software licenses.**

Management told us that it concurs with the recommendation and intends to follow its recently updated policy.

SRC monitors the use of its intellectual property by other parties. SRC informs the Board of intellectual property infringement issues. As noted, SRC protects its intellectual property in agreements with clients and partners and in its dealings with employees and visitors. SRC has taken steps to enforce its rights.

SRC's computer system for tracking intellectual property includes the ability to generate reminders to follow up on others' use or commercialization of intellectual property. SRC is implementing this feature.

Under SRC's policies, employees are required to hold information relating to intellectual property "in the strictest confidence." Employees agree to this policy annually. SRC's policy also requires employees to obtain written consent from SRC before making public any information relating to intellectual property, for example in presentations or publications. Making certain information public can impair the ability to protect related intellectual property rights. SRC does not consistently require employees to obtain written consent. This increases the risk that employees will disclose information before SRC can take steps to protect related intellectual property.

- 4. We recommend that the Saskatchewan Research Council follow its policy to ensure employees obtain written approval before publicly releasing information that relates to intellectual property.**

Management told us that SRC intends to change its intellectual property policy in the coming year. It told us the confidentiality provisions contained in SRC's Code of Ethics compel employees to carefully consider the release of any information not just that related to intellectual property. Management told us SRC is confident in its employees' understanding of the requirement to protect all confidential information.

Evaluation and reporting

We expect agencies to evaluate and report on both the performance of their intellectual property assets and the effectiveness of their processes to protect and, if applicable, exploit those assets.

Agencies should assess the effectiveness of their intellectual property management processes. Key intellectual property assets should be managed with the same attention given to tangible assets. The processes should reflect the relative importance of the intellectual property assets to the strategic objectives of the agency and the risks it faces.

Regular reporting to senior management and to the board can identify opportunities for improvement and the need for revised intellectual property management strategies. Failure to regularly report on an agency's intellectual property results in less agency control over and accountability for intellectual property and can reduce the effective protection and development of these assets.

SRC's strategic plan identifies intellectual property as a key risk area. One of SRC's strategic objectives has been to update its processes and procedures related to intellectual property. As part of this work, SRC has developed draft performance measures for intellectual property. SRC has not yet implemented these performance measures. Nevertheless, SRC senior management provides the Board with updates on intellectual property issues. This includes information about specific contracts and income from intellectual property. SRC's senior management also reports to the Board on its management of intellectual property annually as part of its risk management process.

SRC does not report explicitly to the public on intellectual property. In its annual report, SRC provides general information about the projects in which it is involved, including information about work with partners and expected outcomes.

- 5. We recommend that the Saskatchewan Research Council implement performance measures to help it manage intellectual property.**

Management told us that, as part of its regular governance process, SRC is conducting a review of all of its key performance indicators. Management also told us that its review of all intellectual property policies and procedures will include consideration of the value of performance measures specific to intellectual property.

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Main points

Investment Saskatchewan is responsible for investments of about \$400 million and has plans to invest a further \$150 million over the next five years. Most of its investments are in non-publicly traded Saskatchewan companies.

Since November 2006, Investment Saskatchewan has hired an investment manager to exclusively buy and sell its current and future investments within certain limits. Through the five-year agreement with an automatic three-year renewal, Investment Saskatchewan has delegated key investment decisions to its investment manager. Although it has delegated these decisions, Investment Saskatchewan remains responsible for its investments and the oversight of them.

The performance of its investment manager is essential to the success of Investment Saskatchewan. We examined whether Investment Saskatchewan had adequate processes to oversee its investments. We found that, to perform a comprehensive evaluation of the investment manager's performance, Investment Saskatchewan needs to document its requirements, expectations, and planned assessment procedures.

Also, to provide its investment manager with informed advice on divesting, Investment Saskatchewan needs information on the public policy outcomes relevant to each investment. To manage its investing risks, it needs to receive sufficient documentation, analysis, and updates of each investment's key risks.

Introduction

Investment Saskatchewan Inc. is a wholly owned subsidiary of Crown Investments Corporation of Saskatchewan (CIC). In September 2003, Cabinet renamed the corporation (formerly, CIC Industrial Interests Inc.) and made its governance structure consistent with other CIC Crowns by appointing non-government officials to the Board instead of government officials.

Investment Saskatchewan's mandate is to enhance Saskatchewan's long-term economic growth and diversification through the provision of investment capital and financing and to ensure prudent management of commercially viable investments. Its mission is to support the growth of the provincial economy by investing in Saskatchewan businesses and achieving a risk-adjusted return on those investments.¹

In 2007, Investment Saskatchewan had net earnings of \$11.5 million and total assets of \$652 million. At December 31, 2007, Investment Saskatchewan owned the following companies of which only Big Sky Farms Inc. had active operations. The others are holding companies that hold various investments.²

Big Sky Farms Inc.
CIC Foods Inc.
CIC FTLP Holdings Inc.
CIC FTMI Holdings Inc.
CIC OSB Holdings Inc.
CIC Pulp Ltd.
CIC PVF Holdings Inc.
CIC Swine Genetics Holdings Inc.
CIC WLSVF Holdings Inc.
HARO Financial Corporation
Investment Saskatchewan Swine Inc.
Saskatchewan Valley Potato Corporation
101039181 Saskatchewan Ltd.
101069101 Saskatchewan Ltd.

¹ Investment Saskatchewan Inc., 2007-2011 Strategic Plan and Business Plan.

² The holding companies that do not have active operations do not prepare financial statements for audit. The financial results are included in the financial statements of Investment Saskatchewan.

Our audit conclusions and findings

Our Office worked with KPMG LLP, Chartered Accountants, the appointed auditor for Investment Saskatchewan and the above-noted companies for the year ended December 31, 2007, except for Big Sky Farms. We worked with Deloitte and Touche LLP, Chartered Accountants, the appointed auditor for Big Sky Farms for the year ended June 30, 2007. We followed the framework recommended by the *Report of the Task Force on Roles, Responsibilities, and Duties of Auditors*.³ Our Office and the appointed auditors formed the following opinions.

In our opinion, for years ending in 2007:

- ♦ the financial statements of Investment Saskatchewan and Big Sky Farms are reliable
- ♦ Investment Saskatchewan had adequate rules and procedures to safeguard public resources except it needs to outline the requirements and expectations related to its investments, and analyze the key risks for each of its investments
- ♦ Big Sky Farms had adequate rules and procedures to safeguard public resources
- ♦ Investment Saskatchewan and Big Sky Farms complied with authorities governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing

The remainder of this chapter contains the results of our audit of Investment Saskatchewan's processes for overseeing its investments.

³ For report, see our website at www.auditor.sk.ca/rrd.html.

Processes for investment oversight

Background

At December 31, 2007, Investment Saskatchewan had investments of about \$400 million. Most of these investments are in non-publicly traded Saskatchewan companies such as Saskferco Products, Big Sky Farms, Performance Plants, and Clinicare Corporation. During 2007, it made investments totalling \$53 million and sold investments totalling \$156 million.

Investment Saskatchewan expects to sell its legacy investments⁴ in a way that optimizes total returns (or minimizes losses) while preserving each investment's public policy outcomes (such as job preservation). It expects to make new investments that are consistent with the Government's economic development strategy and that increase provincial economic activity.

Investment management agreement

Until November 2006, Investment Saskatchewan carried out its investment activities directly. In November 2006, it signed an Investment Management Agreement (IMA)⁵ to obtain investment management services exclusively from Victoria Park Capital (VPC) for an eight-year term (five years plus an automatic renewal for three years⁶). Under the IMA, Investment Saskatchewan has agreed to make at least \$150 million available to VPC for investing during a five-year period starting January 1, 2007. The IMA gives VPC, the investment manager, full authority to buy and sell all of Investment Saskatchewan's current and future investments within certain limits. Investment Saskatchewan's ability to make specific investment decisions is limited to the following:

- ◆ It can direct the investment manager to acquire, dispose, or not dispose of an investment for "public policy reasons" but it agrees

⁴ Investment Saskatchewan generally refers to investments made before September 30, 2006 as "legacy" investments and investments after this date as "new" investments.

⁵ Standing Committee on Crown and Central Agencies, Document CCA 241/25, tabled March 13, 2007.

⁶ IMA Section 8.1(b), renewal is automatic unless a breach of conditions occurs. Conditions relate to the performance of the investment manager and ownership of VPC.

to compensate the investment manager where this investment direction adversely affects the investment manager's fees.

- ♦ It can amend the investment limits but only to the extent the change would not materially affect the investment manager's ability to earn fees; if the change would do so, it must give reasonable consideration to compensating the investment manager for the impact of the change.

Delegation, not abdication

There is no "one size fits all" approach to overseeing service providers; practices vary considerably. Differences can be observed in provisions of service contracts relating to parties' obligations and responsibilities. As well, other differences are evident in actual practices used—as in who performs the oversight, the nature of the oversight, and the frequency of the oversight. However, one common aspect of service provider oversight among all funds, investment advisers, and other similar entities should be the overarching philosophy embedded in the arrangements—namely, that delegation is not abdication.

Leading practices embrace the importance for funds and advisers to affirmatively determine that the delegated functions are being performed by the service provider in the expected manner, and that the delegating entity has examined sufficient evidential matter to provide reasonable assurance that information provided and reported by the service provider is reliable and that fund assets are adequately safeguarded.

Source: Looking Ahead: Strengthening the Structural Foundation of the U.S. Investment Management Industry—Internal Control.
PricewaterhouseCoopers, 2007

The IMA requires the investment manager "to act honestly, in good faith and in the best interests of Investment Saskatchewan, exercising that degree of care, diligence, and skill which may reasonably be expected of a prudent person rendering services of an investment manager in the circumstances applicable to the investment portfolio." It also expects the investment manager to meet Investment Saskatchewan's "reasonable expectations relating to investment performance and service levels considering the nature of the investment portfolio, applicable industry benchmarks, and service standards."

Although Investment Saskatchewan has delegated key investment decisions to an investment manager, Investment Saskatchewan remains responsible for its investments and the oversight of them. This delegation

increases the importance of Investment Saskatchewan's processes to oversee the investment manager's performance including compliance with the IMA. It is critical for Investment Saskatchewan to obtain sufficient evidence about whether the investment manager is complying with the IMA and providing reliable information, given the duration of the IMA and the significant amount of public money involved.

Objective, criteria, and conclusion

The objective of this audit was to assess whether the Board of Investment Saskatchewan Inc. had adequate processes to oversee its investments as at October 31, 2007.

To conduct our audit, we followed *Standards for Assurance Engagements* set out by The Canadian Institute of Chartered Accountants. Exhibit 1 sets out the criteria for this audit. We based these criteria on our related work, reviews of literature including reports of other auditors, and consultation with management. Management agreed with the criteria. A list of key sources for these criteria appears under *Selected references*.

Exhibit 1—Criteria for investment oversight

Adequate processes to oversee investments include processes to:

1. Identify the information required
2. Establish the procedures required to obtain reliable information
3. Analyze the information received
4. Take action on the information received

We concluded that the Board of Investment Saskatchewan Inc. had adequate processes to oversee its investments as of October 31, 2007 except it needs to:

- ♦ sufficiently outline its requirements and expectations
- ♦ analyze the key risks for each of its investments

Investment Saskatchewan needs to improve these processes so it can comprehensively assess the investment manager's performance including compliance with the investment management agreement.

Findings by criterion

Identify the information required

We expected Investment Saskatchewan's processes would identify the information required for oversight by:

- ♦ *establishing a framework to guide the oversight process that includes establishing oversight objectives, and ensuring all parties understand their roles and responsibilities and the Corporation's investment, strategic, and operational objectives*
- ♦ *specifying the information required that includes its purpose, nature, frequency, and timeliness*
- ♦ *requesting information from multiple sources to provide a basis to rely on the information received*

The Board and management recognize their responsibility for overseeing the investments and the services provided by the investment manager, VPC. It does this through its key planning documents, the Board's terms of reference, job descriptions of key staff, and the IMA with the investment manager.

Investment Saskatchewan's strategic plan sets out its strategic objectives and initiatives (most of which relate to investing activities), public policy considerations, success measures, and targets. The strategic plan also includes its investment mandate, that is, investment objectives and broad expectations for return on investment, risk management, liquidity, and time horizons for holding the investments (i.e., guidance on divestments).

Given its decision to use an investment manager to handle its investment activities, Investment Saskatchewan must have sound processes to monitor the investment manager's compliance with the IMA. This includes setting clear expectations of the investment manager (for both service delivery and investment performance) and obtaining sufficient information to assess the quality of the investment manager's performance and processes.

Information to manage

Investment Saskatchewan has a number of processes to obtain information to oversee its investments. For example, it uses a matrix to

summarize the roles of the Board, management, and the investment manager. The matrix lists the following: key documents the Board expects, when the documents are due (e.g., annually, quarterly, ad hoc) and from whom (e.g., management or the investment manager), and the nature of expected monitoring (e.g., management review of the investment manager's quarterly investment summaries).

In addition, Investment Saskatchewan uses the IMA to require key information from the investment manager. The IMA notes, for certain types of information, when information is required and, in some cases, outlines the specific content. For example, the investment manager must provide quarterly reports on each investment describing the investment's status, financial targets, forecasts, expected future events, and overall performance.

Investment Saskatchewan varies its financial and operational information requirements depending upon the nature and form of its investments or because of current situations and conditions. It periodically asks the investment manager for additional information necessary to prepare financial and other reports (e.g., quarterly request).

Information to assess the investment manager's performance

The IMA requires Investment Saskatchewan to evaluate the investment manager's performance at least annually and permits evaluations as often as quarterly. This evaluation process is critical because it is the primary means that allows Investment Saskatchewan to thoroughly assess and raise questions and concerns regarding the investment manager's standard of performance. Investment Saskatchewan's assessment process must be comprehensive so it can identify required adjustments and, ultimately, decide whether to renew the IMA.

At October 31, 2007, Investment Saskatchewan was developing a process to assess the investment manager's performance including compliance with the IMA. It expects to carry out its first evaluation of the investment manager's performance in early 2008.

To help monitor compliance with the IMA on an ongoing basis, Investment Saskatchewan uses a checklist to track the completion of key required activities and the receipt of required reports. This checklist helps

it gather information for most of its investment activities, other than information on new investments. Investment Saskatchewan makes new investments based on the investment manager's request for payment.⁷ This request includes a representation that the investment manager has performed due diligence. However, Investment Saskatchewan does not ask for supporting documentation (such as a copy of the due diligence report).

Investment Saskatchewan has developed an evaluation checklist to guide its annual evaluation of the investment manager. This checklist is very brief. It does not refer to specific provisions in the IMA, define expected service levels, or identify applicable industry benchmarks and standards. It is unclear if the evaluation process will include a review of certain key processes of the investment manager.

For annual evaluations to be effective, the evaluation process must be comprehensive, detailing all of Investment Saskatchewan's requirements and expectations including the expected frequency of evaluations. Also, Investment Saskatchewan should consider if, as part of the evaluation process, it needs to engage a specialist to assist it in examining the investment manager's records for evidence of compliance.

1. **We recommend that Investment Saskatchewan Inc. document its requirements, expectations, and planned assessment procedures in sufficient detail to facilitate a comprehensive evaluation of the investment manager's performance.**

Information to assess planned divestments

Investment Saskatchewan, through its strategic plan and IMA, has set out its expectation to sell the legacy investments as soon as possible and to sell the new investments after a five- to seven-year holding period. In addition, the IMA requires the investment manager to exit investments in a way that preserves the public policy outcomes⁸ achieved to the extent practical. The IMA also requires the investment manager to consult with Investment Saskatchewan on questions concerning the preferred balance between optimizing an investment's financial return and preserving the

⁷ The IMA requires VPC to submit a "Funding Request" to pay for an investment.

⁸ The stated public policy outcomes include job creation and preservation, preservation of provincial tax revenues, protection of Saskatchewan head office jobs, and protection of the environment.

public policy outcomes relevant to the investment. To provide the investment manager with informed advice on these matters, Investment Saskatchewan needs information on these public policy outcomes as they plan the optimal timing of each divestment.

Investment Saskatchewan has not asked the investment manager for information about each investment's expected and actual public policy outcomes. Without this information, Investment Saskatchewan and the investment manager may have difficulty meeting the objective of choosing the optimal timing of divestments and the preferred balance between an investment's financial return and the public policy outcomes it has achieved.

2. **We recommend that Investment Saskatchewan Inc. document and monitor the expected and actual public policy outcomes for each investment.**

Establish procedures to obtain reliable information

Investment Saskatchewan needs reliable investment information to make informed decisions. Information related to investments is prepared using various, often complex, methods that require significant determinations and judgments. For key information, Investment Saskatchewan must not only understand the source of key information but also agree with how it was prepared and with key judgments reached.

We expected Investment Saskatchewan's processes would provide it with a reasonable basis to rely on the information produced and reported by:

- ◆ *approving key calculation methods and measures used to produce key investment financial and operational information*
- ◆ *disclosing data limitations and sources*
- ◆ *assessing the reasonableness of information before reporting*

Investment Saskatchewan assesses and confirms the reliability of key information that it uses to monitor and account for its investments. For example, the IMA requires the investment manager to use reporting practices consistent with those employed prior to the IMA and to do valuations consistent with prevailing industry standards. Investment Saskatchewan has reached a common understanding with the investment manager on suitable industry standards for valuing investments

(i.e., Canadian Venture Capital and Private Equity Association guidelines).

Also, Investment Saskatchewan has adopted measures to monitor the performance of its investment portfolio on an overall basis and individually (e.g., internal rate of return). For these key measures, the Board has approved definitions and management has set out how to calculate them.

For financial information needed to prepare its financial statements, Investment Saskatchewan requests supporting documents and carries out additional steps necessary to confirm their accuracy. For example, to assess the reasonableness of information, it may compare information to previously agreed-upon expectations, prior period results, and information obtained from other sources.

Management recognizes that when information is more subjective, it must do more to assess its reasonableness. In some cases, it discloses limitations to financial information when appropriate, for example, by noting it is based on unaudited financial statements. For other investment information, such as industry trends and outlook, it is less likely to request supporting information or disclose limitations. For example, Investment Saskatchewan could ask the investment manager to identify areas where the investment information may be outdated or has a lower degree of precision for other reasons.

Analyze the information received

We expected Investment Saskatchewan would have processes to analyze the information received by:

- ◆ *assessing compliance with legislation and agreements*
- ◆ *comparing results to planned performance targets including providing reasons for differences between actual and expected results based on specified thresholds*
- ◆ *assessing changes in investment status, objectives, and risks*

Investment Saskatchewan analyzes the information it receives as follows. It monitors compliance with laws related to its investing activities each quarter. For example, it maintains an investment summary to track whether it will need CIC or Cabinet approval of significant transactions (i.e., those over \$30 million). It uses a checklist to track the completion of

key required activities and receipt of required reports such as compliance statements relating to occupational safety and environmental liabilities.

Primarily using quarterly reports from the investment manager, management reviews actual performance compared to plans for individual investments and on an overall basis, assesses reasons for differences, and identifies issues that may affect an investment's future success. It also uses spreadsheets to monitor the performance of investments based on the stage of investment and the risk of concentration in specific industries.

Each quarter, the Board receives from management a written overall analysis of each investment's progress, the impact of economic events (such as the strengthening Canadian currency), quarterly financial statements, and a balanced scorecard report. In addition, the Board receives from the investment manager quarterly verbal and written reports on investment performance (e.g., comparisons of original target to forecasted rate of return by investment; updates on the performance and status of fund portfolios).

Part of overseeing the performance of an investment portfolio includes identifying and assessing risks. Investment Saskatchewan uses processes it designed in 2005 to identify significant risks. In October 2007, the risk management reports provided to the Board focused on two strategic risks and two operational risks. These risks relate to the Board's corporate governance role but not to its investing activities.

Risks relevant to investing activities typically include liquidity risks (how easily an investment can be sold), financial risks (potential loss in value), and market risk (the effect of supply and demand on the price of the investment). Other risks also arise (e.g., business risks—that is, an organization not meeting its business plan).

Since it signed the IMA, Investment Saskatchewan no longer interacts directly with the companies in which it invests (investees). While it can obtain industry-related information directly, the investment manager is its primary source of information on risks specifically related to its investments. Investment Saskatchewan did not require or receive adequate information (e.g., due diligence reports or quarterly update reports) about the key risks associated with each of its investments. For

example, there was minimal analysis of the significant impact of changes in foreign currency rates and feed prices on an investee's hog operations.

- 3. We recommend that Investment Saskatchewan Inc. receive sufficient documentation, analysis, and updates of each investment's key risks.**

Management told us that Investment Saskatchewan is considering updating its process to identify significant risks.

Take action on the information received

We expected Investment Saskatchewan would have processes to review the information it receives and to take direct or indirect action by:

- ♦ *obtaining additional information to fill information gaps*
- ♦ *developing mitigation strategies for significant risks*
- ♦ *communicating required action to mitigate risks*
- ♦ *monitoring timely completion of required action*

Investment Saskatchewan routinely reviews the information it receives and takes action consistent with the terms of the IMA. When the Board or management identifies a gap in information it receives, Investment Saskatchewan asks for additional information, usually from the investment manager. For example, the Board has requested detail about the hog industry. Sometimes, CIC identifies an information requirement. When needed, the Board actively helps management in getting the required information.

Investment Saskatchewan uses a corporate risk management process to list strategies and indicators for mitigating risks. Communicating required action to mitigate risks sometimes happens when the investment manager attends its Board meetings. However, as previously noted, Investment Saskatchewan receives limited information on risks related to individual investments. This reduces its ability to assess progress in resolving risks.

Management uses various checklists to monitor timely completion of expected actions related to the IMA. In addition, the Board keeps a list of business arising from its minutes to monitor the timely completion of required action and receipt of answers to questions raised.

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Main points

During 2007, we assessed SaskPower's progress in addressing the recommendations we made in 2006 on processes to plan for infrastructure needs related to electricity generation and the conditions that allowed a loss of public money.

We concluded that SaskPower has made significant progress in addressing our recommendations relating to its processes to plan for infrastructure needs, but it needs to do more to:

- ◆ assess alternative strategies that address identified infrastructure needs
- ◆ document specific infrastructure risks associated with its specific infrastructure decisions

Regarding our recommendations on the conditions that allowed a loss of public money, we concluded SaskPower has addressed our recommendations.

Also, for the year ended December 31, 2007, SaskPower, its three subsidiaries and the Power Corporation Superannuation Plan each had reliable financial statements, adequate processes to safeguard public resources, and complied with the authorities governing their activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing.

Introduction

Saskatchewan Power Corporation (SaskPower) is the principal supplier of electricity in Saskatchewan operating primarily under the mandate and authority of *The Power Corporation Act*. SaskPower's mission is to deliver power in a safe, reliable, and sustainable manner.

In 2007, SaskPower had consolidated revenue of \$1.5 billion and consolidated net income of \$138 million. At December 31, 2007, it held assets of \$4.5 billion. SaskPower's consolidated financial statements include the financial activities of SaskPower and the companies it wholly owns and controls (subsidiaries). At December 31, 2007, SaskPower's subsidiaries were: NorthPoint Energy Solutions Inc., SaskPower International Inc., and Power Greenhouses Inc. As well, SaskPower sponsors and manages the Power Corporation Superannuation Plan. The following provides a brief description of each.

North Point Energy Solutions Inc. (NorthPoint) trades electricity and manages SaskPower's natural gas requirements for its natural-gas power plants. Its trading functions include selling power and buying power for domestic use when a shortfall occurs or lower cost power is available. In 2007, NorthPoint had revenue of \$133 million including \$8 million in service fees from SaskPower and net income of \$13 million. At December 31, 2007, it held total assets of \$39 million.

SaskPower International (International) owns a wind farm that sells its power to SaskPower and partially owns three power-generating stations - two stations sell electricity to SaskPower and one station sells electricity into the Alberta power grid. International also sells flyash, a by-product of burned coal. In 2007, International had revenue of \$51 million and net income of \$19 million. At December 31, 2007, it held assets of \$406 million.

Power Greenhouses Inc. (Greenhouse) distributes tree seedlings for reclamation, habitat development, and restoration. It grows the seedlings using waste heat from the Shand Power Station. In 2007, SaskPower reimbursed Greenhouse for its total expenses of \$1 million. At December 31, 2007, it held assets of \$3 million.

The Power Corporation Superannuation Plan (Plan) is a defined benefit pension plan closed to new members since 1977. A Cabinet-appointed board administers the Plan. The Plan has 468 active members and about 1,720 pensioners. In 2007, the Plan received contributions of \$2 million from SaskPower and paid \$42 million to members. At December 31, 2007, the Plan held assets of \$836 million with liabilities of \$827 million.

SaskPower makes its annual report and audited financial statements and those of its subsidiaries available to the public at www.saskpower.com/aboutus/corpinfo/corpinfo.shtml.

Our audit conclusions and findings

Cabinet appointed Deloitte & Touche LLP as the auditor for SaskPower, two of its subsidiaries (International and NorthPoint) and the Plan and Meyer Norris Penny LLP as the auditor for Greenhouse. Our Office worked with each appointed auditor using the framework recommended by the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors*.¹

In our opinion, for the year ended December 31, 2007:

- ♦ the financial statements of SaskPower, International, NorthPoint, Greenhouse, and the Plan are reliable
- ♦ SaskPower, International, NorthPoint, Greenhouse, and the Plan had adequate rules and procedures to safeguard their public resources
- ♦ SaskPower, International, NorthPoint, Greenhouse, and the Plan complied with authorities governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing

In the rest of this chapter, we set out actions taken on and the status of recommendations from Chapter 9 of our 2006 Report – Volume 1 and Chapter 12 of our 2006 Report – Volume 3. A future report will include the

¹ To view this report, see our website at www.auditor.sk.ca/rrd.html

status of recommendations made in Chapter 23 of our 2007 Report – Volume 3.

Processes to plan for infrastructure needs – a follow-up

Chapter 9 of our 2006 Report – Volume 1 includes the results of our audit of the adequacy of SaskPower's processes to plan for infrastructure needs related to generating electricity at December 31, 2005. It reports that SaskPower had adequate processes to plan for infrastructure needs relating to generating electricity except for the matters reflected in the following recommendations.

We recommended SaskPower:

1. expand its risk management framework to include risks related to electricity generation
2. document its procedures for preparing its analysis of electricity needs and its ability to meet those needs
3. use its new strategic plan to assess alternative strategies that address identified infrastructure needs
4. document the nature and extent of specific infrastructure risks that it accepts when it approves projects

The Standing Committee on Crown and Central Agencies agreed with these recommendations on January 10, 2007.

As explained below, at March 31, 2008, SaskPower has adequately addressed the first and second recommendations; we continue to make the last two recommendations listed above.

Expanding risk management framework

Risk management frameworks are useful in that they set out risk management activities on a broad basis, enable a common understanding of risk and risk management across an organization, and provide a systematic and structured approach to risk management

In 2007, SaskPower started to use a more robust risk management framework that includes assessment of risks related to electricity generation. Using a framework will help SaskPower identify, evaluate,

and treat significant risks more consistently. It used this new risk management approach in developing its Business Continuity Management Plan, 2008 Business Plan, and plans to use it in the development of other key planning documents.

At March 2008, SaskPower had not yet finalized its other key planning documents. Management expects SaskPower's executive committee and Board to approve the use of the framework in conjunction with their review and approval of key plans.

Documenting procedures for preparing analysis of electricity needs

Written processes set out what steps need to be taken, by whom, and when. Organizations need to document key processes to reduce the risk of errors

SaskPower's analysis of electricity needs and its ability to meet those needs is a key process that is very complex. SaskPower, through a series of various documents, has sufficiently documented its procedures for this process.

Assessing alternate strategies consistently and documenting infrastructure risks

Decisions must be consistent with an organization's direction and priorities. Organizations need key planning documents, like strategic plans, to help align their strategies, and prioritize and assess alternatives consistently with a full understanding of associated risks. Documenting the nature and extent of associated risks helps organizations monitor and address the risks appropriately.

In early 2007, SaskPower changed its planning processes. To make its planning more consistent, SaskPower assigned the responsibility for planning and preparing SaskPower's key planning documents to the Planning, Environment, and Regulatory Affairs business unit and created a cross-functional working group to assist in planning.

In late October 2007, the Board of SaskPower approved its 2008 -2017 strategic plan. The plan includes SaskPower's high-level strategic

priorities. As noted above, SaskPower had not yet finalized its other key planning documents (e.g., integrated resource plan).²

When these updated plans are complete, SaskPower should be better able to assess alternative strategies that address identified infrastructure needs.

As well, SaskPower's new approach to risk identification, assessment, and mitigation will help staff better document and monitor specific risks accepted when decisions on infrastructure projects are made.

Conditions that allowed loss of public money – a follow-up

Chapter 12 of our 2006 Report – Volume 3 sets out conditions that allowed a loss of just less than \$190,000 to occur and remain undetected over a four-year period (from May 2002 to March 2006). To help SaskPower reduce the risk of future losses of public money, we recommended SaskPower:

1. educate its staff on the following:
 - ♦ the importance of the controls necessary to safeguard public resources to increase their understanding of the purpose of these processes
 - ♦ the importance of signing officers' role to verify the receipt of goods or services and invoices (including procurement purchases and employee expense claims) against supporting documents prior to granting their approval
 - ♦ the warning signs that may indicate fraud and error and of the employees' duty to bring that information forward
2. require work units, when substantially changing an employee's duties, to assess and document for management's approval changes in assigned duties that increase the risk of fraud and error, and the procedures they will use to compensate

² The integrated resource plan will include long-term generation options, demand side management options, an assessment of import/export options, long-term load requirements and transmission planning.

Chapter 13 – Saskatchewan Power Corporation

The Standing Committee on Crown and Central Agencies agreed with these recommendations on May 1, 2007.

At March 31, 2008, SaskPower had adequately addressed these recommendations.

Standing Committee on Crown and Central Agencies

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Main points

The Standing Committee on Crown and Central Agencies is one of the Legislative Assembly's four policy field committees. It considers matters relating to Crown Investments Corporation of Saskatchewan (CIC) and its corporations, supply and services, central government agencies, liquor, gaming, and all other revenue-related agencies and entities. During its review of Crown corporation annual reports, the Committee can inquire about current matters, future objectives, and past performance.

The Committee also reviews chapters of our reports concerning CIC and its related corporations. The Committee's discussions relate to broader issues including strategic plans, key risks to achieving goals and objectives, and performance measurement. It also reviews significant transactions made by these corporations.

Through its work and recommendations, the Committee helps the Assembly hold the Government accountable for its management of these corporations. At December 2007, the Government has implemented most of the Committee's recommendations. This chapter sets out the status of the Committee's recommendations that the Government has not yet implemented.

Introduction

This chapter provides an overview of the role and responsibilities of the Standing Committee on Crown and Central Agencies. We describe what the Committee does, how it is structured, and how it works. We discuss the importance of the Committee's deliberations and recommendations. We also highlight some of its recent activities. In the Exhibit, we set out the status of the Committee's outstanding recommendations at December 31, 2007.

Overview of Committee's role and responsibilities

The Standing Committee on Crown and Central Agencies is one of the Legislative Assembly's four policy field committees. Policy field committees are responsible for examining various documents referred to them by the Assembly. These documents include bills and regulations (proposed laws), annual budget Estimates, and annual reports. Policy field committees can also conduct inquiries into matters within their mandates.

This Committee's mandate is to consider matters relating to Crown Investments Corporation of Saskatchewan (CIC) and its corporations; supply and services, central government agencies; liquor; gaming; and all other revenue-related agencies and entities.¹ At the beginning of each Legislature, the Legislative Assembly appoints the members of the Committee.

The Committee focuses on corporations that receive revenues primarily from sources other than the General Revenue Fund. During its review, the Committee can inquire about issues of current concern, future objectives, and past performance. Because of the magnitude of financial activity that the Government manages through CIC and its corporations, the Committee has an important role. It helps the Assembly hold the Government accountable for its management of these corporations.

The Assembly refers the annual reports and financial statements of CIC and its corporations to the Committee. The Committee also receives payee disclosure reports from each corporation. In addition, the Assembly

¹ Rule 142, Rules and Procedures of the Legislative Assembly of Saskatchewan.

refers our reports (or parts thereof) that relate to CIC and its corporations to the Committee. The Committee uses these reports to review the corporations' operations.

The Committee also requires CIC and its corporations to submit reports of their significant transactions. Significant transactions are defined as those that are material in amount and outside the ordinary course of business, or are judged to be sensitive and likely of interest to legislators and the public. These reports describe the transaction, the objectives of the transaction, its financial implications, and the authority for the transaction. Because Crown corporations must submit these reports within 90 days after the transaction, the Committee can review them on a timely basis. During 2007-08, the Committee received eight significant transaction reports.

Our Office attends meetings of the Committee to help it with its reviews. The Committee also invites each corporation's appointed auditor to help the Committee with its review.

Crown corporation officials and the Minister responsible for the corporation attend the Committee's meetings. They answer questions about their corporation's financial results, plans and priorities, significant transactions, and related chapters in our reports. Periodically, the Committee formally reports its findings and recommendations to the Assembly.

The Committee's meetings are open to the public. Its website (www.legassembly.sk.ca/committees/) contains information about the composition of the Committee and records of the Committee's meetings (i.e., Hansard verbatim, minutes, videos, and reports).

As with the Standing Committee on Public Accounts, this Committee's discussions and recommendations to the Assembly result in a more open and accountable Government and in better management of Government operations. The Committee's work is crucial in a well-managed parliamentary system of government. The Committee provides a vital link in the chain of accountability over public resources. The work of the Committee also contributes to the public's confidence in our system of government.

Members of the Committee

The following members served on the Committee during 2007-08:

- ♦ Graham Addley (to October 10, 2007)
- ♦ Dan D'Autremont (to October 10, 2007)
- ♦ Dustin Duncan (to October 10, 2007; from December 12, 2007)
- ♦ Glenn Hagel (from June 28, 2007 to October 10, 2007)
- ♦ Donna Harpauer (to October 10, 2007)
- ♦ Nancy Heppner (from December 12, 2007)
- ♦ Warren McCall (to June 28, 2007)
- ♦ Tim McMillan (from December 12, 2007)
- ♦ Sandra Morin (to October 10, 2007)
- ♦ Jim Reiter (from December 12, 2007)
- ♦ Kim Trew (from December 12, 2007)
- ♦ Mark Wartman (to October 10, 2007)
- ♦ Randy Weekes (from December 12, 2007)
- ♦ Kevin Yates (from December 12, 2007)

Committee activities

During 2007-08, the Committee met 10 times. It reviewed various Estimates and bills and issued three reports thereon to the Assembly. Also, the Committee reviewed the annual reports of the following corporations:

- ♦ Saskatchewan Gaming Corporation (2004-05, 2005-06)
- ♦ Saskatchewan Government Insurance (2005)
- ♦ Saskatchewan Power Corporation (2005)
- ♦ Saskatchewan Water Corporation (2004)
- ♦ SaskEnergy Incorporated (2004)

It also considered the following Provincial Auditor reports.

- ♦ 2004 Report – Volume 1, Chapter 3
- ♦ 2006 Report – Volume 1, Chapter 12
- ♦ 2007 Report – Volume 1, Chapter 10

The Committee issued one report (on August 23, 2007) to the Legislative Assembly on its review of annual reports and our reports.

Status of recommendations

The Committee's reports (and those of the predecessor Standing Committee on Crown Corporations) contain recommendations, some of which take more than one year to implement. Each year, we follow up and report on their status. The Government has not fully implemented five recommendations included in our last update (see our 2007 Report – Volume 1, Chapter 13). The Exhibit lists these and two new recommendations outstanding as at December 31, 2007 that the Committee concurred with. We encourage the Government to implement these recommendations.

We classify the outstanding recommendations as follows:

1. **Committee concurs** – These are our Office's recommendations that the Committee supports, agrees, or concurs with. The Committee does not expect a formal response from the Government but does expect the Government to comply with the recommendations. In the Exhibit, these recommendations are identified by a non-bold number (e.g., 4.1) preceding them. The non-bold numbers reflect the chapter and recommendation number of our related report.
2. **Committee recommends** – These are the Committee's recommendations. The Committee expects an official response or action by the Government. In the Exhibit, these recommendations are identified by a bold number (e.g., 1.) preceding them.
3. **Committee considered** – These are our Office's recommendations. The Committee has deferred them for future consideration (e.g., pending the presentation of additional information) or has made its own recommendation on the matter.

For each outstanding recommendation, we assess the status of the recommendation and indicate whether it is not implemented or partially implemented using the following criteria:

Chapter 14 – Standing Committee on Crown and Central Agencies

Not implemented – Based on the last time that we audited the area or agency, the Government has not taken action on this recommendation.

Partially implemented – Based on the last time that we audited the area or agency, the Government has taken some action on this recommendation.

Exhibit—Outstanding recommendations

Report Year	Outstanding Recommendation	Status
Third Report of the 3 rd Session of the 24 th Legislature – tabled December 9, 2002		
2001 Spring	The Committee concurs: 11.1 The Government should clarify the law to require CIC and its Crown corporations to obtain Order in Council approval before purchasing or selling real property through a subsidiary.	Not implemented. Legislative amendments have not been made.
2001 Spring	The Committee concurs: 11.4 The Government should change current laws to: - require subsidiaries of Crown corporations to obtain an Order in Council before purchasing shares - require Crown corporations and their subsidiaries to report the sale of shares to the Crown Corporations Committee within 90 days of the transaction date.	Not implemented. Legislative amendments have not been made.
Fourth Report of the 1 st Session of the 25 th Legislature – tabled May 24, 2005		
2004 Report Vol. 1	The Committee concurs: 7.1 CIC should review the limits over which CIC and its subsidiaries must get Order in Council approval to buy and sell real property, either directly or through a subsidiary, and CIC should seek legal changes where appropriate.	Partially implemented. CIC has approved new limits that will apply to CIC and each of its subsidiaries. It has made the necessary legal changes for three Crown corporations and needs to do so for six others.

Report Year	Outstanding Recommendation	Status
Tenth Report of the 3 rd Session of the 25 th Legislature – tabled August 23, 2007		
2006 Report Vol. 1	The Committee concurs: 9.3 SaskPower should use its new strategic plan to assess alternative strategies that address identified infrastructure needs.	Partially implemented. SaskPower is updating key planning documents. When they are finalized, it should have sufficient information to assess alternative strategies consistently.
	The Committee concurs: 9.4 SaskPower should document the nature and extent of specific infrastructure risks that it accepts when it approves projects.	Partially implemented. SaskPower is updating key planning documents. When they are finalized, it should have sufficient information to document specific infrastructure risks.
2007 Report Vol. 1	The Committee concurs: 10.1 Saskatchewan Government Insurance should have processes to monitor the benefits it expects from the Saskatchewan Auto Fund Redevelopment Project.	Not implemented. SGI accepts the recommendation and informs us it is working to address it. Our Office plans to follow up on SGI's progress in 2009.
	The Committee concurs: 10.2 For the Saskatchewan Auto Fund Redevelopment Project, Saskatchewan Government Insurance should document its: ▪ risks and strategies to manage the risks ▪ strategy to plan, test and implement adequate security ▪ communication strategy for keeping stakeholders adequately informed about the project.	Not implemented. SGI accepts the recommendation and informs us it is working to address it. Our Office plans to follow up on SGI's progress in 2009.

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NOTE:

All persons making use of this consolidation are reminded that it has no legislative sanction, that the amendments have been embodied only for convenience of reference and that the original statutes and regulations should be consulted for all purposes of interpretation and application of the law. Please note, however, that in order to preserve the integrity of the original statutes and regulations, errors that may have appeared are reproduced in this consolidation.

The Provincial Auditor Act

SHORT TITLE AND INTERPRETATION

Short Title

- 1 This Act may be cited as *The Provincial Auditor Act*.

Interpretation

- 2 In this Act:

(a) **"acting provincial auditor"** means the acting provincial auditor appointed pursuant to section 5;

(a.1) **"appointed auditor"** means an auditor appointed pursuant to an Act or other authority by the Lieutenant Governor in Council or another body to examine the accounts of a Crown agency or Crown-controlled corporation or accounts otherwise related to public money;

(b) **"audit"** means an audit or examination of accounts of public money that may be made by the provincial auditor pursuant to this Act;

(c) **"Crown"** means Her Majesty the Queen in right of Saskatchewan;

(d) **"Crown agency"** means an association, board, commission, corporation, council, foundation, institution, organization or other body, whether incorporated or unincorporated, all the members of which or all of the board of management or board of directors of which:

- (i) are appointed by an Act or by the Lieutenant Governor in Council; or
- (ii) are, in the discharge of their duties, public officers or servants of the Crown;

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and includes a corporation that has at least 90% of its issued and outstanding voting shares vested in the Crown;

(e) **“Crown-controlled corporation”** means a corporation that is not a Crown agency and that has less than 90% and more than 50% of its issued and outstanding voting shares vested in the Crown;

(f) **“fiscal year”** means the period commencing on April 1 in one year and ending on March 31 in the next year;

(g) **“provincial auditor”** means the Provincial Auditor for Saskatchewan appointed pursuant to section 3.1;

(g.1) **“public accounts committee”** means the Standing Committee of the Legislative Assembly on Public Accounts;

(h) **“public money”** means all revenues and public moneys from whatever source arising, whether the revenues and moneys:

(i) belong to the Government of Saskatchewan; or

(ii) are collected or held by officers of the departments of the Government of Saskatchewan or Crown agencies for, on account of or in trust for the Government of Canada or the government of any other province or for any other party or person;

and includes public property;

(i) **“public property”** means property held or administered by the Crown;

(j) **“Speaker”** means the member of the Legislative Assembly elected as Speaker in accordance with *The Legislative Assembly and Executive Council Act, 2007*.

1983, c.P-30.01, s 2; 1986-87-88, c.26, s 4;
2001, c.32, s 3; 2005, L-11.2, s 97; 2007,
c.6, s 2.

APPOINTMENT AND OFFICE

Provincial Auditor for Saskatchewan

3(1) The office of Provincial Auditor for Saskatchewan is established.

(2) The provincial auditor is an officer of the Legislative Assembly.
2001, c.32, s.4.

Appointment of provincial auditor

3.1(1) On the unanimous recommendation of the public accounts committee, the Legislative Assembly shall, by resolution, appoint a provincial auditor.

(2) The provincial auditor holds office for a term of 10 years from the date of his or her appointment unless, before that term expires, he or she:

- (a) resigns or is suspended or removed from office pursuant to section 3.2; or
 - (b) attains the normal date of retirement for employees of the public service of Saskatchewan.
- (3) The provincial auditor may apply for a second or subsequent term.
2001, c.32, s.4.

Resignation, removal of provincial auditor

3.2(1) The provincial auditor may resign the office at any time by giving written notice:

- (a) to the Speaker; or
 - (b) if there is no Speaker or if the Speaker is absent from Saskatchewan, to the President of the Executive Council.
- (2) The Legislative Assembly may, by resolution, suspend or remove the provincial auditor from office for cause.

2001, c.32, s.4.

Salary of the provincial auditor

4(1) Subject to subsections (2) and (3), the provincial auditor is to be paid a salary equal to the average salary of all the deputy ministers and acting deputy ministers of the Government of Saskatchewan calculated as at April 1 in each year.

(2) Any benefits or payments that may be characterized as deferred income, retirement allowances, separation allowances, severance allowances or payments in lieu of notice are not to be included in calculating the average salary of all the deputy ministers and acting deputy ministers pursuant to subsection (1).

(3) Where, as a result of a calculation made pursuant to subsection (1), the salary of a provincial auditor would be less than that provincial auditor's previous salary, the provincial auditor is to be paid not less than his or her previous salary.

(4) The provincial auditor is entitled to receive any privileges of office and economic adjustments that are provided generally to deputy ministers.

(5) The salary of the provincial auditor shall be paid out of the general revenue fund.
2001, c.32, s.5.

Acting provincial auditor

5(1) The provincial auditor may appoint an employee of his office as acting provincial auditor.

(2) Where the position of provincial auditor is vacant and there is no acting provincial auditor, the Lieutenant Governor in Council may appoint a person as acting provincial auditor who is to hold office until an acting provincial auditor is appointed pursuant to subsection (1).

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(3) Where the position of provincial auditor is vacant or the provincial auditor is absent or unable to perform his duties due to illness or other disability, the acting provincial auditor has all the powers and shall exercise all the duties of the provincial auditor.

1983, c.P-30.01, s.5.

Qualifications of provincial auditor, acting provincial auditor

6 No person is eligible to be appointed as provincial auditor or as acting provincial auditor unless he is a member in good standing of the Institute of Chartered Accountants of Saskatchewan.

1983, c.P-30.01, s.6.

Advisors, etc.

7 For the purposes of exercising any of the powers or carrying out any of the duties imposed upon him by this Act, the provincial auditor may engage the services of or retain any technical, professional or other advisers, specialists or consultants that he considers necessary.

1983, c.P-30.01, s.7; 2001, c.32, s.6.

Office of the provincial auditor

8(1) The provincial auditor may employ any persons that he considers necessary to assist him in carrying out his duties and fulfilling his responsibilities under this Act.

(2) Employees of the provincial auditor's office are employees of the Legislative Assembly and are not members of the public service of Saskatchewan.

(3) The employee benefits applicable to the public servants of Saskatchewan apply or continue to apply, as the case may be, to the provincial auditor and the employees of the provincial auditor's office.

(4) *The Public Service Superannuation Act, The Superannuation (Supplementary Provisions) Act and The Public Employees Pension Plan Act* apply to the provincial auditor and the employees of the provincial auditor's office, and all credits in any superannuation plan or fund established pursuant to those Acts for the provincial auditor and the employees of the provincial auditor's office and accumulated under those Acts, before the coming into force of this section, are preserved and continued in accordance with those Acts.

(5) The provincial auditor shall administer, manage and control the provincial auditor's office and the general business of the office and shall oversee and direct the staff of the office.

1983, c.P-30.01, s.8; 2001, c.32, s.7.

Confidentiality

9 The provincial auditor shall require every person employed in his or her office, and any person engaged or retained pursuant to section 7, who is to examine the accounts of a department of the Government of Saskatchewan, Crown agency or Crown-controlled corporation pursuant to this Act to comply with any security requirements applicable to, and to take any oath of secrecy required to be taken by, persons employed in that department, Crown agency or Crown-controlled corporation.

1983, c.P-30.01, s.9; 2001, c.32, s.8.

Delegation of authority

10 The provincial auditor may delegate to any member of the provincial auditor's office the authority to exercise any power or to perform any duty conferred on the provincial auditor pursuant to this Act, other than the duty to make:

- (a) an annual report on operations pursuant to section 10.4;
- (b) a business and financial plan pursuant to section 10.5;
- (c) an annual report pursuant to section 12; or
- (d) a special report to the Legislative Assembly.

2001, c.32, s.9.

Estimates

10.1(1) For each fiscal year, the provincial auditor shall present to the public accounts committee, in accordance with any instructions from the public accounts committee, estimates of the moneys that will be required to be provided by the Legislature for the expenses of the provincial auditor's office, including an amount for unforeseen expenses.

(2) On receipt of the estimates pursuant to subsection (1), the public accounts committee:

- (a) shall review the estimates; and
- (b) may make any alterations to the estimates that the public accounts committee considers appropriate.

(3) After reviewing and making any alterations to the estimates pursuant to subsection (2), the public accounts committee shall approve the estimates.

(4) After approving the estimates pursuant to subsection (3), the chairperson of the public accounts committee shall submit the estimates to the Speaker and to the Board of Internal Economy.

(5) The Speaker shall cause the estimates submitted pursuant to subsection (4) to be laid before the Legislative Assembly.

(6) Notwithstanding subsections (1) to (5), if a public accounts committee has not been appointed by a date to allow the Speaker to cause the estimates of the provincial auditor for a fiscal year to be laid before the Legislative Assembly pursuant to subsections (1) to (5), the Speaker shall cause the estimates of the provincial auditor for the previous fiscal year to be laid before the Legislative Assembly.

(7) The Legislative Assembly may refer the estimates laid before it pursuant to subsection (5) or (6) to a Standing Committee of the Legislative Assembly.

(8) Where the estimates are not referred to a Standing Committee of the Legislative Assembly, the estimates are to be considered in the Committee of Finance and defended by a member of the Executive Council who is designated by the President of the Executive Council.

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(9) *The Tabling of Documents Act, 1991* does not apply to the estimates required to be prepared by the provincial auditor pursuant to this section.

2001, c.32, s.9.

Unprovided for or unforeseen expenses

10.2(1) For the purposes of this section, the Legislature is not in session where it:

- (a) is prorogued; or
- (b) is adjourned for an indefinite period or to a day more than seven days after the Lieutenant Governor in Council made the order directing the preparation of the special warrant pursuant to this section.

(2) If the Legislature is not in session, the provincial auditor may report to the public accounts committee that:

- (a) a matter has arisen with respect to the administration of this Act respecting an expense required by the provincial auditor's office that was not foreseen or provided for, or was insufficiently provided for; and
- (b) the provincial auditor is of the opinion that there is no appropriation for the expense or that the appropriation is exhausted or insufficient and that the expense is urgently and immediately required for the public good.

(3) On receipt of a report of the provincial auditor pursuant to subsection (2), the public accounts committee:

- (a) shall review the report and make any alterations to the funding request in the report that the public accounts committee considers appropriate; and
- (b) may recommend to the Minister of Finance that a special warrant be issued authorizing the expense in the amount the public accounts committee determines to be appropriate.

(4) On receipt of a recommendation of the public accounts committee pursuant to subsection (3), the Minister of Finance shall recommend to the Lieutenant Governor in Council that a special warrant be issued authorizing the expense in the amount recommended by the public accounts committee.

(5) On receipt of a recommendation of the Minister of Finance pursuant to subsection (4), the Lieutenant Governor in Council may order a special warrant to be prepared for the signature of the Lieutenant Governor authorizing the expense in the amount recommended by the public accounts committee.

(6) For the purposes of *The Financial Administration Act, 1993* and of this Act, a special warrant issued pursuant to subsections (1) to (5) is deemed to be a special warrant issued pursuant to section 14 of *The Financial Administration Act, 1993*, and that Act applies to a special warrant issued pursuant to those subsections as if it were issued pursuant to section 14 of that Act.

(7) Notwithstanding subsections (1) to (6), the provincial auditor may request that the Minister of Finance recommend that a special warrant be issued pursuant to section 14 of *The Financial Administration Act, 1993* if:

- (a) a public accounts committee has not been appointed; and
- (b) the provincial auditor reports that the conditions mentioned in clauses (2)(a) and (b) are met.

2001, c.32, s.9.

Expenses limited to appropriation

10.3(1) In this section, "appropriation" means:

- (a) an appropriation for the expenses of the provincial auditor's office made by an *Appropriation Act*;
- (b) an appropriation by special warrant issued pursuant to section 10.2; and
- (c) any other amount that is permitted or directed to be paid out of the general revenue fund pursuant to this or any other Act for the expenses of the provincial auditor's office.

(2) The provincial auditor shall not incur expenses for a fiscal year in excess of the appropriation for that fiscal year.

(3) The Minister of Finance shall pay to the provincial auditor out of the general revenue fund the appropriation for a fiscal year in the amounts and at the times requested by the provincial auditor.

(4) Where the amounts paid to the provincial auditor pursuant to subsection (3) on account of an appropriation for a fiscal year exceed the expenses of the provincial auditor's office for that fiscal year, the provincial auditor shall repay the excess to the Minister of Finance as soon as is practicable after the end of the fiscal year, and the Minister of Finance shall deposit any amounts received pursuant to this subsection in the general revenue fund.

2001, c.32, s.9.

Annual report on operations

10.4(1) In each fiscal year, the provincial auditor shall prepare and submit to the Speaker an annual report on operations that is to consist of the following:

- (a) a report on the operations of the provincial auditor's office for the preceding fiscal year;
- (b) the audited financial statement for the provincial auditor's office showing the results of its operations for the preceding fiscal year.

(2) The provincial auditor shall submit the annual report on operations mentioned in subsection (1) within 120 days after the end of the fiscal year to which the annual report on operations relates.

2001, c.32, s.9.

Appendix 1

Business and financial plan

10.5 Prior to the beginning of each fiscal year, by a date that may be required by the public accounts committee, the provincial auditor shall prepare and submit to the Speaker a business and financial plan for the provincial auditor's office showing its planned operations and its planned revenues and expenses for the fiscal year

2001, c. 32, s. 9.

DUTIES AND POWERS

Examination of accounts

11(1) The provincial auditor is the auditor of the accounts of the government of Saskatchewan and shall examine all accounts related to public money and any accounts not related to public money that he is required by an Act to examine, and shall determine whether, in his opinion:

- (a) the accounts have been faithfully and properly kept;
- (b) public money has been fully accounted for and properly disposed of, and the rules and procedures applied are sufficient to ensure an effective check on the assessment, collection and proper allocation of public money;
- (c) public money expended has been applied to the purposes for which it was appropriated by the Legislature and the expenditures have adequate statutory authority; and
- (d) essential records are maintained and the rules and procedures applied are sufficient to safeguard and control public money.

(2) An appointed auditor is subject to the examination responsibilities prescribed in clauses (1)(a) to (d).

(3) For the purposes of this section, where an auditor, including an appointed auditor, is required to examine accounts and render an opinion on those accounts, he shall do so in accordance with generally accepted auditing standards as prescribed from time to time by the Canadian Institute of Chartered Accountants.

1986-87-88, c. 26, s. 6.

Reliance on report of appointed auditor

11.1(1) In the fulfilment of his responsibilities as the auditor of the accounts of the Government of Saskatchewan, the provincial auditor may rely on the report of the appointed auditor of a Crown agency or Crown-controlled corporation if he is satisfied that the appointed auditor has carried out his responsibilities pursuant to section 11 with respect to that Crown agency or Crown-controlled corporation.

(2) The provincial auditor may only rely on the report of an appointed auditor of a Crown agency or the appointed auditor of a Crown-controlled corporation if the appointed auditor:

- (a) is a member in good standing of a recognized accounting profession that is regulated by an Act; and

- (b) is not employed by a department of the Government of Saskatchewan, a Crown agency, a Crown-controlled corporation or the provincial auditor's office.
- (3) Where the provincial auditor determines pursuant to subsection (1) or (2) that he or she is unable to rely on the report of the appointed auditor with respect to a Crown agency or Crown-controlled corporation, the provincial auditor shall conduct additional audit work with respect to the accounts of that Crown agency or Crown-controlled corporation.
- (4) Where the provincial auditor has conducted additional audit work on the accounts of a Crown agency or Crown-controlled corporation pursuant to subsection (3), the provincial auditor shall report in his or her annual report pursuant to this section:
- (a) the reason that the provincial auditor was unable to rely on the report of the appointed auditor of the Crown agency or Crown-controlled corporation;
 - (b) the nature of the additional audit work the provincial auditor conducted; and
 - (c) the results of the additional audit work.

1986-87-88, c.26, s.6, 2001, c.32, s.10.

Annual Report

12(1) At the end of each fiscal year, the provincial auditor and every appointed auditor shall prepare a report on the results of all examinations that they have conducted of departments of the Government of Saskatchewan, Crown agencies and Crown-controlled corporations during that year giving details of any reservation of opinion made in an audit report, and shall identify any instances they consider to be of significance and of a nature that should be brought to the attention of the Legislative Assembly, including any cases in which they observe:

- (a) any officer or employee of a department of the Government of Saskatchewan or Crown agency has wilfully or negligently omitted to collect or receive any public money belonging to the Crown;
- (b) any public money was not duly accounted for and paid into the appropriate fund;
- (c) any appropriation was exceeded or was applied to a purpose or in a manner not authorized by the Legislature;
- (d) an expenditure was made for which there was no authority or which was not properly vouchered or certified;
- (e) there has been a deficiency or loss to the Crown through the fraud, default or mistake of any person;
- (f) a special warrant authorized the payment of public money; or
- (g) essential records were not maintained or the rules and procedures applied were not sufficient:
- (i) to safeguard and control public money;

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(ii) to effectively check the assessment, collection and proper allocation of public money; or

(iii) to ensure that expenditures were made only as authorized.

(1.1) On completion of any examination of the accounts of a Crown agency or Crown-controlled corporation, an appointed auditor shall submit to the provincial auditor the report prepared pursuant to subsection (1) with respect to that Crown agency or Crown-controlled corporation.

(1.2) At the end of each fiscal year, the provincial auditor shall compile the reports submitted to him by appointed auditors pursuant to subsection (1.1) and shall submit them together with his report prepared pursuant to this section in the form of an annual report to the Legislative Assembly.

(2) In the annual return made pursuant to subsection (1), the provincial auditor may:

(a) report on the work of his office and on whether, in carrying on the work of his office, he received all the information, reports and explanations he required from departments of the Government of Saskatchewan, Crown agencies or Crown-controlled corporations or their auditors; and

(b) comment on the financial statements of any department of the Government of Saskatchewan, Crown agency or Crown-controlled corporation of which he is the auditor.

(3) Notwithstanding subsection (1), neither the provincial auditor nor any appointed auditor is required to report to the Legislative Assembly on any matter that he considers immaterial or insignificant.

1983, c P-30.01, s. 12; 1986-87-88, c. 26, s. 7.

Special report

13 The provincial auditor may prepare a special report to the Legislative Assembly on any matter that is, in his opinion, important or urgent.

1983, c P-30.01, s. 13.

Submission of provincial auditor's reports

14 Notwithstanding *The Tabling of Documents Act, 1991*, the provincial auditor shall submit to the Speaker, as soon as is practicable:

(a) the annual report prepared pursuant to section 12; and

(b) any special report that is prepared by the provincial auditor pursuant to section 13.

2001, c. 32, s. 11.

Tabling of reports

14.1(1) In this section, "report" means:

(a) an annual report on the operations of the provincial auditor's office that is submitted to the Speaker pursuant to section 10.4;

- (b) a business and financial plan for the provincial auditor's office that is submitted to the Speaker pursuant to section 10.5;
 - (c) an annual report prepared pursuant to section 12 that is submitted to the Speaker pursuant to section 14;
 - (d) any special report that is prepared by the provincial auditor pursuant to section 13 that is submitted to the Speaker pursuant to section 14; or
 - (e) a report of the auditor of the accounts of the provincial auditor's office that is submitted to the Speaker pursuant to section 27.
- (2) The Speaker shall lay before the Legislative Assembly each report received by the Speaker as soon as is practicable after it is received.
- (3) If the Legislative Assembly is not in session when the Speaker receives a report, the Speaker shall submit the report to the Clerk of the Legislative Assembly.
- (4) When the Clerk of the Legislative Assembly receives a report pursuant to subsection (3), the Clerk shall, as soon as possible:
- (a) subject to subsection (5), cause a copy of the report to be delivered to each member of the Legislative Assembly; and
 - (b) make the report available for public inspection during normal business hours of the Clerk of the Legislative Assembly.
- (5) The requirement in subsection (4) to deliver a copy of a report to the members of the Legislative Assembly does not apply in the period that:
- (a) commences on the day a Legislative Assembly is dissolved; and
 - (b) ends on the day fixed for making the return to the writ for the general election held pursuant to *The Election Act, 1996* that follows the dissolution mentioned in clause (a).
- (6) If a report is submitted to the Clerk of the Legislative Assembly in accordance with subsection (3), the report is deemed to have been laid before the Assembly.
- (7) Where a report is laid before the Legislative Assembly pursuant to subsection (2) or is deemed to be laid before the Legislative Assembly pursuant to subsection (6), the report is deemed to be referred to the public accounts committee.
- (8) Notwithstanding subsection (7), where a report or part of a report mentioned in subsection (7) deals with a matter that relates to the Crown Investments Corporation of Saskatchewan or a subsidiary Crown corporation within the meaning of *The Crown Corporations Act, 1993*, the report or part of the report is deemed to be referred to the Standing Committee of the Legislative Assembly on Crown Corporations.

2001, c.32, s.11.

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Certification of Statements

15(1) The provincial auditor or the appointed auditor, as the case may be, shall express an opinion, in accordance with the outcome of his examinations, on the financial statements of:

- (a) any funds that he is required to audit pursuant to subsection 11(1);
- (b) Crown agencies;
- (c) Crown-controlled corporations; and
- (d) accounts not related to public money that are, by an Act, required to be examined by him.

(2) Notwithstanding any other provision of this Act, the provincial auditor is not required to audit or report on the financial statements of a Crown agency or Crown-controlled corporation for which there is an appointed auditor.

1983, c.P-30.01, s.15, 1986-87-88, c.26, s.9.

Special assignments

16(1) Where:

- (a) the Legislative Assembly or the Standing Committee of the Legislative Assembly on Public Accounts:
 - (i) requests the provincial auditor to perform a special assignment; and
 - (ii) causes the provincial auditor to be provided with the funding that the provincial auditor considers necessary to undertake the special assignment; and
- (b) in the opinion of the provincial auditor, the special assignment will not unduly interfere with his other duties prescribed in this Act;

the provincial auditor shall perform the special assignment.

(2) Notwithstanding *The Tabling of Documents Act*:

- (a) the provincial auditor shall submit to the Speaker, as soon as is practicable, the report of any special assignment prepared pursuant to subsection (1) on the request of the Legislative Assembly; and
- (b) the Speaker shall, as soon as is practicable, lay before the Legislative Assembly each report received by him pursuant to clause (a).

(3) The provincial auditor shall submit to the Clerk of the Assembly a special report prepared pursuant to subsection (1) on the request of the Standing Committee of the Legislative Assembly on Public Accounts, and the clerk shall make the special report available to the members of that committee.

(4) Where:

- (a) the Lieutenant Governor in Council:

- (i) requests the provincial auditor to perform a special assignment; and
 - (ii) causes the provincial auditor to be provided with the funding that the provincial auditor considers necessary to undertake the special assignment; and
- (b) in the opinion of the provincial auditor, the special assignment will not unduly interfere with his other duties prescribed in this Act;

the provincial auditor may perform the special assignment.

- (5) The provincial auditor shall submit, as soon as is practicable, a special report prepared pursuant to subsection (4) to the Lieutenant Governor in Council.

1983, c.P-30.01, s.16.

Improper retention of public money

17 Whenever, in the opinion of the provincial auditor or another auditor who is appointed to undertake an audit of Crown agencies or Crown-controlled corporations, any public money or revenues or money collected or held by employees of Crown-controlled corporations have been improperly retained by any person, the provincial auditor or the other auditor, as the case may be, shall immediately report the circumstances of that case to the member of the Executive Council who is responsible for the department of the Government of Saskatchewan, Crown agency or Crown-controlled corporation and the Minister of Finance.

1983, c.P-30.01, s.17.

Cancelled securities

18 The provincial auditor shall:

- (a) cause to be examined debentures and other securities of the Government of Saskatchewan that have been redeemed;
- (b) assure himself or herself that the securities described in clause (a) have been properly cancelled;
- (c) at any time and to any extent that the Minister of Finance may require, participate in the destruction of any redeemed or cancelled securities or unissued reserves of securities; and
- (d) at any time that he or she is requested to do so by the Minister of Finance, participate in audit assignments in connection with the filing of a prospectus and registration material required for the issuance and sale of securities of the Government of Saskatchewan.

1983, c.P-30.01, s.18; 2001, c.32, s.12.

Attendance before Public Accounts Committee

19 On the request of the Standing Committee of the Legislative Assembly on Public Accounts, the provincial auditor and any member of his office shall attend meetings of that committee to assist that committee:

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(a) in planning the agenda for its review of the public accounts, the annual report of the provincial auditor, a special report prepared pursuant to section 13 or a report prepared pursuant to subsection 16(1) on the request of the committee; and

(b) during its review of the the items described in clause (a).

1983, c.P-30.01, s.19.

AUDIT COMMITTEE

Audit committee

20(1) In this section and in sections 21 to 23, "**audit committee**" means the audit committee established pursuant to subsection (2).

(2) An audit committee is established.

(3) The audit committee is to consist of not more than five persons appointed by the Speaker on the unanimous recommendation of the public accounts committee.

(4) A recommendation of the public accounts committee pursuant to subsection (3) is to be made only after the public accounts committee has consulted with the Standing Committee of the Legislative Assembly on Crown Corporations.

(5) The following persons are not eligible to be a member of the audit committee:

(a) a Member of the Legislative Assembly;

(b) an appointed auditor;

(c) an employee of the Government of Saskatchewan, of a Crown agency, of a Crown-controlled corporation or of the provincial auditor's office.

(6) The Speaker shall designate as chairperson the member of the audit committee unanimously recommended by the public accounts committee.

(7) The audit committee may determine its rules of procedure.

(8) All expenses of the audit committee are to be paid out of the appropriation for the Legislative Assembly Service.

2001, c.32, s.13; 2005, c.L-11.2, s.97.

Functions of the audit committee

21(1) The public accounts committee may request the audit committee to assist it in undertaking the following:

(a) the recommending of a provincial auditor;

(b) the review of the estimates of the provincial auditor;

(c) the review of the annual report on operations of the provincial auditor;

(d) the review of any report of the provincial auditor prepared pursuant to section 12 or 13;

(e) any other matters that the public accounts committee may request.

(2) The provincial auditor, the Minister of Finance, the member of the Executive Council responsible for *The Crown Corporations Act, 1993* or the Standing Committee of the Legislative Assembly on Crown Corporations may request the audit committee to review any matter that, in the opinion of the provincial auditor, the Minister of Finance, the member of the Executive Council responsible for *The Crown Corporations Act, 1993* or the Standing Committee of the Legislative Assembly on Crown Corporations, as the case may be, should be considered by the audit committee.

2001, c.32, s.13.

Information to be provided to audit committee

22(1) The audit committee may request the provincial auditor and any officers or employees of the Government of Saskatchewan, a Crown agency or a Crown-controlled corporation to provide the audit committee with any information that the audit committee considers necessary to carry out its functions mentioned in section 21, and the provincial auditor and the officers or employees of the Government of Saskatchewan, the Crown agency or the Crown-controlled corporation may provide the information requested.

(2) The audit committee and each member of the audit committee:

(a) shall preserve secrecy with respect to all matters that come to their knowledge in the course of performing their functions pursuant to this Act; and

(b) shall not communicate those matters to any person, other than when required to do so in the performance of their functions pursuant to this Act.

2001, c.32, s.13.

Availability of reports

23(1) For the purpose of allowing the Minister of Finance to review and comment on the provincial auditor's annual report prepared pursuant to section 12, the provincial auditor shall submit the provincial auditor's annual report to the Minister of Finance at least 10 days before the provincial auditor causes the annual report to be printed for submission to the Speaker.

(2) The provincial auditor shall submit to the Minister of Finance any special report prepared pursuant to section 13 before the provincial auditor submits that special report to the Speaker.

2001, c.32, s.13.

GENERAL

Right to information, accommodation

24(1) The provincial auditor or the appointed auditor, as the case may be, is entitled:

(a) to free access, at all convenient times, to:

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(i) all electronic data processing equipment and programs and documentation related to the electronic data processing equipment; and

(ii) all files, documents and other records relating to the accounts;

of every department of the Government of Saskatchewan, Crown agency, Crown-controlled corporation or other person that he is required to examine or audit or, in the case of the provincial auditor, with respect to which he is examining pursuant to a special assignment; and

(b) to require and receive from employees of a department of the Government of Saskatchewan, Crown agency, Crown-controlled corporation or other person subject to examination or audit by him any information, reports and explanations that he considers necessary for the proper performance of his duties.

(2) The provincial auditor or an appointed auditor, as the case may be, may station in any department of the Government of Saskatchewan, Crown agency, Crown-controlled corporation or with any other person subject to examination or audit by him any employee of his office or advisor, specialist or consultant to enable him more effectively to carry out his duties, and the department, Crown agency, Crown-controlled corporation or other person subject to examination or audit shall provide the necessary office accommodation for the employee, advisor, specialist or consultant person so stationed.

1983, c.P-30.01, s.24; 1986-87-88, c.26, s.10.

Inquiries

25 The provincial auditor may examine any person on any matter relating to any account that is subject to an examination or audit by him, and, for the purposes of that examination, he may exercise all the powers of commissioners under *The Public Inquiries Act*.

1983, c.P-30.01, s.25.

Working papers

26 Neither the provincial auditor nor any appointed auditor is required to lay any audit working papers of his office before the Legislative Assembly or any committee of the Legislature.

1983, c.P-30.01, s.26; 1986-87-88, c.26, s.11.

Change in auditor

26.1 Where the auditor of a Crown agency or Crown-controlled corporation has been changed, the new auditor and the previous auditor shall deal with the transition in accordance with the rules of professional conduct as established from time to time by the Institute of Chartered Accountants of Saskatchewan.

1986-87-88, c.26, s.12.

Auditor of accounts of provincial auditor's office

27(1) On the recommendation of the public accounts committee, the Lieutenant Governor in Council shall appoint an accountant who meets the qualifications set out in subsection (2) to annually audit the accounts of the provincial auditor's office.

(2) For the purposes of subsection (1), the accountant appointed pursuant to this section:

- (a) must be a member in good standing of a recognized accounting profession that is regulated by an Act; and
- (b) must not be employed by a department of the Government of Saskatchewan, a Crown agency, a Crown-controlled corporation or the provincial auditor's office.
- (3) The accountant appointed pursuant to subsection (1) has the same powers and shall perform the same duties in relation to an audit of the accounts of the provincial auditor's office that the provincial auditor has or performs in relation to an audit performed pursuant to this Act.
- (4) The auditor of the accounts of the provincial auditor's office shall submit his or her report to the Speaker.

2001, c 32, s 14.

Fees

28(1) The provincial auditor may charge a reasonable fee for professional services provided by provincial auditor's office.

(2) All fees charged pursuant to subsection (1) and all other revenues received by the provincial auditor pursuant to this Act shall be deposited in the general revenue fund.

1983, c P-30 01, s 28, 2001, c 32, s 15.

Limitation of liability

29 The provincial auditor, the employees in the provincial auditor's office and any adviser, specialist or consultant engaged or retained pursuant to section 7 are not liable in any action for any act done or not done or on any statement made by them in good faith in connection with any matter they are authorized or required to do under this Act.

1983, c P-30 01, s 29, 2001, c 32, s 16.

Information confidential

30 The provincial auditor, any employee in the provincial auditor's office, an appointed auditor, any employee of an appointed auditor or any adviser, specialist or consultant engaged or retained pursuant to section 7:

- (a) shall preserve secrecy with respect to all matters that come to his or her knowledge in the course of his or her employment or duties under this Act; and
- (b) shall not communicate those matters to any person, other than when he or she is required to do so in connection with:
 - (i) the administration of this Act;
 - (ii) any proceedings under this Act; or
 - (iii) any proceedings in a court of law.

1983, c P-30 01, s 30, 1986-87-88, c 26, s 13, 2001, c 32, s 17.

31 Repealed. 2001, c 32, s 18.

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Transitional

32(1) The person appointed on the day before the coming into force of this section as provincial auditor pursuant to *The Department of Financial Act*, as that Act existed on the day before the coming into force of this Act, is deemed to be appointed as provincial auditor pursuant to this Act.

(2) On the day this section comes into force, the members of the public service who are employed in the office of the provincial auditor cease to be employed in the public service and each such person becomes an employee of the office of the provincial auditor at a salary of not less than that he was receiving on the day before the day this section comes into force.

1983, c P-30.01, s.32.

REGINA, SASKATCHEWAN

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List and status of agencies subject to examination under *The Provincial Auditor Act*

Appendix 2 lists the ministries, Crown agencies, Crown-controlled corporations, special purpose and trust funds, offices of the Legislative Assembly, and other agencies subject to audit examination under *The Provincial Auditor Act* at December 31, 2007.

This Appendix includes the status of those audits at March 31, 2008. The Appendix also indicates whether we have significant issues to report and where the issues are reported.

Our goal is to report the results of our audits of agencies with March fiscal year-ends in the fall and agencies with December fiscal year-ends in the spring. We have not completed the audits at some agencies. In most cases, the audits have been delayed. However, in a few cases, we have not been given access to the necessary information to complete the audits. To provide the Legislative Assembly and the public with timely reports, we do not delay our reports to accommodate delayed audits, but rather include their results in future reports.

Appendix 2

Agency	Year end on or before December 31, 2007	Status at March 31, 2008	Significant issues reported ²
Government of Saskatchewan – Summary Financial Statements	March 31	Complete	Yes/2007 Rpt V2
Ministries and Secretariats:			
Ministry of Advanced Education, Employment and Labour (formerly Department of Advanced Education and Employment)	March 31	Complete	Yes/2007 Rpt V3
Ministry of Agriculture (formerly Department of Agriculture and Food)	March 31	Complete	Yes/2007 V3
Ministry of Corrections, Public Safety and Policing (formerly Department of Corrections and Public Safety)	March 31	Complete	Yes/2008 Rpt V1
Ministry of Education (formerly Department of Learning)	March 31	Complete	Yes/ 2007 Rpt V3 & 2008 Rpt V1
Ministry of Energy and Resources (formerly Department of Industry and Resources)	March 31	Complete	Yes/2007 Rpt V3 & Note 2
Ministry of Enterprise and Innovation (formerly Department of Regional Economic and Co-operative Development)	March 31	Complete	Yes/2007 Rpt V3
Ministry of Environment (formerly Department of Environment)	March 31	Complete	Yes/2007 Rpt V3 & 2008 Rpt V1
Ministry of Finance (formerly Department of Finance)	March 31	Complete	Yes/2007 Rpt V2, V3 & 2008 Rpt V1
Ministry of First Nations and Métis Relations (formerly Department of First Nations and Métis Relations)	March 31	Complete	Yes/2007 V3
Ministry of Government Services (formerly Department of Property Management)	March 31	Complete	Yes/2007 Rpt V3 & 2008 Rpt V1
Ministry of Health (formerly Department of Health)	March 31	Complete	Yes/2007 Rpt V3 & 2008 Rpt V1
Ministry of Highways and Infrastructure (formerly Department of Highways and Transportation)	March 31	Complete	Yes/2007 Rpt V3
Ministry of Intergovernmental Affairs	March 31	Note 4	
Ministry of Justice and Attorney General (formerly Department of Justice)	March 31	Complete	Yes/2007 Rpt V3 & 2008 Rpt V1
Ministry of Municipal Affairs (formerly Department of Government Relations)	March 31	Complete	No
Ministry of Social Services (formerly Department of Community Resources)	March 31	Complete	Yes/2007 Rpt V3
Ministry of Tourism, Parks, Culture, and Sport (formerly Department of Culture, Youth and Recreation)	March 31	Complete	Yes/2007 Rpt V3
Executive Council	March 31	Complete	Yes/2007 Rpt V3

Agency	Year end on or before December 31, 2007	Status at March 31, 2008	Significant issues reported ²
Information Technology Office	March 31	Complete	Yes/2007 Rpt V3
Provincial Secretary, Office of the	March 31	Note 4	
Public Service Commission	March 31	Complete	Yes/2007 Rpt V3 & 2008 Rpt V1
Crown agencies:			
101005716 Saskatchewan Ltd.	December 31	Note 1	
101027596 Saskatchewan Ltd.	December 31	Note 1	
101039181 Saskatchewan Ltd. (formerly CIC Swine Genetics Inc.)	December 31	Note 1	
101047589 Saskatchewan Ltd.	March 31	Complete	No
101047593 Saskatchewan Ltd.	March 31	Complete	No
101069101 Saskatchewan Ltd.	December 31	Note 1	
610277 Saskatchewan Ltd.	December 31	Note 1	
617275 Saskatchewan Ltd.	December 31	Note 1	
675161 British Columbia Ltd.	December 31	Note 1	
Agricultural Credit Corporation of Saskatchewan	March 31	Complete	No
Agricultural Implements Board	March 31	Complete	No
Agri-Food Innovation Fund	March 31	Complete	No
Avonlea Holding, Inc.	December 31	Note 1	
Battleford International, Inc.	December 31	Note 1	
Bayhurst Energy Services Corporation	December 31	Complete	No
Bayhurst Gas Limited	December 31	Complete	No
Beef Development Board	March 31	Complete	No
Big Sky Farms Inc.	June 30	Complete	No
Board of Governors, Uranium City Hospital	March 31	Complete	No
Carlton Trail Regional College	June 30	Complete	No
Century Plaza	March 31	Note 4	
CIC Economic Holdco Ltd.	December 31	Note 1	
CIC APEX Equity Holdco Ltd. (formerly CIC Equity Holding Corporation)	December 31	Note 1	
CIC Foods Inc.	December 31	Note 1	
CIC FTLP Holdings Inc.	December 31	Note 1	
CIC FTMI Holdings Inc.	December 31	Note 1	
CIC OSB Products Inc.	December 31	Note 1	
CIC Pulp Ltd.	December 31	Note 1	
CIC PVF Holdings Inc.	December 31	Note 1	
CIC Swine Genetics Holdings Inc.	December 31	Note 1	
CIC WLSVF Holdings Inc.	December 31	Note 1	
Coachman Insurance Company	December 31	Complete	No
Community Initiatives Fund	March 31	Complete	Note 3
Craik Enterprises Inc.	December 31	Note 1	

Appendix 2

Agency	Year end on or before December 31, 2007	Status at March 31, 2008	Significant issues reported ²
Crown Investments Corporation of Saskatchewan	December 31	Complete	No
Cumberland Regional College	June 30	Rotational	
Cypress Hills Regional College	June 30	Complete	No
Cypress Regional Health Authority	March 31	Complete	Yes/2007 Rpt V3
DirectWest Canada Inc.	December 31	Complete	No
DirectWest Corporation	December 31	Complete	No
Esterhazy Holding, Inc.	December 31	Note 1	
First Nations and Métis Fund Inc.	December 31	Complete	No
Five Hills Regional Health Authority	March 31	Complete	No
Gradworks Inc.	December 31	Complete	No
HARO Financial Corporation	August 31	Note 1, Note 4	
Health Quality Council	March 31	Complete	No
Heartland Regional Health Authority	March 31	Complete	No
Heritage Gas Limited	December 31	Complete	No
Hollywood At Home Inc.	December 31	Note 1	
Hospitality Network Canada Inc.	December 31	Complete	No
Information Services Corporation of Saskatchewan	December 31	Complete	No
Insurance Company of Prince Edward Island	December 31	Complete	No
Investment Saskatchewan Inc.	December 31	Complete	Yes/2008 Rpt V1
Investment Saskatchewan Swine Inc.	December 31	Note 1	
Keewatin Yatthé Regional Health Authority	March 31	Complete	Yes/2007 Rpt V3
Kelsey Trail Regional Health Authority	March 31	Complete	Yes/2007 Rpt V3
Law Reform Commission of Saskatchewan	March 31	Complete	No
Liquor and Gaming Authority	March 31	Complete	Yes/2007 Rpt V3
Liquor Board Superannuation Commission, The	December 31	Complete	Note 5
Mamawetan Churchill River Regional Health Authority	March 31	Complete	Yes/2007 Rpt V3
Many Islands Pipe Lines (Canada) Limited	December 31	Complete	No
Métis Development Fund	December 31	Complete	No
Milk Control Board	December 31	Delayed	
Municipal Employees' Pension Commission	December 31	Complete	Yes/2008 Rpt V1
Municipal Financing Corporation of Saskatchewan	December 31	Complete	No
Municipal Potash Tax Sharing Administration Board	December 31	Complete	No
Navigata Communications Ltd.	December 31	Note 1	
Nokomis Holding, Inc.	December 31	Note 1	

Agency	Year end on or before December 31, 2007	Status at March 31, 2008	Significant issues reported ²
North Sask. Laundry & Support Services Ltd.	March 31	Complete	Yes/2007 Rpt V3
North West Regional College	June 30	Complete	No
Northlands College	June 30	Rotational	
Northpoint Energy Solutions Inc.	December 31	Complete	No
Operator Certification Board	March 31	Complete	No
Parkland Regional College	June 30	Rotational	
Power Corporation Superannuation Plan	December 31	Complete	No
Power Greenhouses Inc.	December 31	Complete	No
Prairie Agricultural Machinery Institute	March 31	Complete	No
Prairie North Regional Health Authority	March 31	Complete	Yes/2007 Rpt V3
Prairie West Regional College	June 30	Rotational	
Prince Albert Parkland Regional Health Authority	March 31	Complete	Yes/2007 Rpt V3
Public Employees Pension Plan	March 31	Complete	Yes/2007 Rpt V3
Public Service Superannuation Board	March 31	Complete	Yes/2007 Rpt V3
Qu'Appelle Holding, Inc.	December 31	Note 1	
Regina Qu'Appelle Regional Health Authority	March 31	Complete	Yes/2007 Rpt V3
Saskatchewan Apprenticeship and Trade Certification Commission	June 30	Complete	Yes/2007 Rpt V3
Saskatchewan Archives Board, The	March 31	Complete	No
Saskatchewan Arts Board, The	March 31	Complete	Yes/2007 Rpt V3
Saskatchewan Association of Health Organizations (SAHO)	March 31	Complete	Yes/2007 Rpt V3 & 2008 V1
Saskatchewan Auto Fund	December 31	Complete	No
Saskatchewan Cancer Agency	March 31	Complete	Yes/2007 Rpt V3
Saskatchewan Centre of the Arts	March 31	Complete	No
Saskatchewan Communications Network Corporation	March 31	Complete	No
Saskatchewan Crop Insurance Corporation	March 31	Complete	Yes/2007 Rpt V3
Saskatchewan Development Fund Corporation	December 31	Complete	No
Saskatchewan First Call Corporation	December 31	Complete	No
Saskatchewan Gaming Corporation	March 31	Complete	Yes/2007 Rpt V3
Saskatchewan Government Growth Fund Ltd.	December 31	Complete	No
Saskatchewan Government Growth Fund II Ltd.	December 31	Complete	No
Saskatchewan Government Growth Fund III Ltd.	December 31	Complete	No
Saskatchewan Government Growth Fund IV Ltd.	December 31	Complete	No

Appendix 2

Agency	Year end on or before December 31, 2007	Status at March 31, 2008	Significant issues reported ²
Saskatchewan Government Growth Fund V (1997) Ltd.	December 31	Complete	No
Saskatchewan Government Growth Fund VI Ltd.	December 31	Complete	No
Saskatchewan Government Growth Fund VII Ltd.	December 31	Complete	No
Saskatchewan Government Growth Fund VIII Ltd.	December 31	Complete	No
Saskatchewan Government Growth Fund Management Corporation	December 31	Complete	No
Saskatchewan Government Insurance	December 31	Complete	No
Saskatchewan Government Insurance Superannuation Plan	December 31	Complete	No
Saskatchewan Grain Car Corporation	July 31	Complete	No
Saskatchewan Health Information Network	March 31	Complete	No
Saskatchewan Health Research Foundation	March 31	Complete	No
Saskatchewan Heritage Foundation	March 31	Complete	No
Saskatchewan Housing Corporation	December 31	Complete	Yes/2007 Rpt V3
Saskatchewan Impaired Driver Treatment Centre Board of Governors	March 31	Complete	No
Saskatchewan Indian Gaming Authority Inc.	March 31	Complete	Yes/2007 Rpt V3
Saskatchewan Institute of Applied Science and Technology	June 30	Complete	Yes/2007 Rpt V3 & 2008 V1
Saskatchewan Labour Market Commission	March 31	Note 4	
Saskatchewan Legal Aid Commission	March 31	Complete	Yes/2008 Rpt V1
Saskatchewan Lotteries Trust Fund for Sports, Culture and Recreation	March 31	Complete	Yes/2007 Rpt V3 & Note 3
Saskatchewan Opportunities Corporation	December 31	Complete	No
Saskatchewan Pension Annuity Fund	March 31	Complete	No
Saskatchewan Pension Plan	December 31	Complete	Yes/2008 Rpt V1
Saskatchewan Power Corporation	December 31	Complete	Yes/2007 Rpt V3 & 2008 Rpt V1
Saskatchewan Research Council, The	March 31	Complete	Yes/2007 Rpt V3 & 2008 Rpt V1
Saskatchewan Telecommunications	December 31	Complete	No
Saskatchewan Telecommunications Holding Corporation	December 31	Complete	No
Saskatchewan Telecommunications International, Inc.	December 31	Complete	No
Saskatchewan Telecommunications International (Tanzania) Ltd.	December 31	Note 1	
Saskatchewan Telecommunications Pension Plan	December 31	Complete	No
Saskatchewan Transportation Company	December 31	Complete	No

Agency	Year end on or before December 31, 2007	Status at March 31, 2008	Significant issues reported ²
Saskatchewan Valley Potato Corporation	December 31	Note 1	
Saskatchewan Water Corporation	December 31	Complete	No
Saskatchewan Watershed Authority	March 31	Complete	Yes 2007 Rpt V3
Saskatoon 2 Management Ltd.	December 31	Note 1	
Saskatoon 2 Properties Limited Partnership	December 31	Complete	No
Saskatoon Regional Health Authority	March 31	Complete	Yes/2007 Rpt V3
SaskEnergy Chilean Holdings I Ltd.	December 31	Complete	No
SaskEnergy Chilean Holdings II Ltd.	December 31	Complete	No
SaskEnergy Chilean Holdings Limitada	December 31	Complete	No
SaskEnergy Incorporated	December 31	Complete	No
SaskEnergy International Incorporated	December 31	Complete	No
SaskEnergy Mexican Holdings Ltd.	December 31	Complete	No
SaskEnergy Nova Scotia Holdings Ltd.	December 31	Complete	No
SaskPen Properties Ltd.	December 31	Denied Access	
SaskPower International Inc.	December 31	Complete	No
SaskTel International Consulting, Inc.	December 31	Note 1	
SaskTel Investments Inc.	December 31	Note 1	
SecurTek Monitoring Solutions Inc.	December 31	Complete	No
SecurTek Partnership No. 8	December 31	Note 1	
SecurTek Partnership No. 9	December 31	Note 1	
SGC Holdings Inc.	March 31	Complete	No
SGI CANADA Insurance Services Ltd.	December 31	Complete	No
Shellbrook Holding, Inc.	December 31	Note 1	
Southeast Regional College	June 30	Rotational	
Sun Country Regional Health Authority	March 31	Complete	Yes/2007 Rpt V3
Sunrise Regional Health Authority	March 31	Complete	Yes/2007 Rpt V3
Swan Valley Gas Corporation	December 31	Complete	No
Teachers' Superannuation Commission	June 30	Complete	Yes/2008 Rpt V1
TecMark International Commercialization Inc.	March 31	Complete	No
Thomson Meats Ltd.	December 31	Delayed	
TransGas Limited	December 31	Complete	No
University of Regina Crown Foundation	April 30	Complete	No
University of Saskatchewan Crown Foundation	April 30	Complete	No
Vanguard Holding, Inc.	December 31	Note 1	
Wadena Holding, Inc.	December 31	Note 1	
Water Appeal Board	March 31	Complete	No
Western Development Museum	March 31	Complete	No
Wild River Resources Ltd. (formerly Hygait Resources Ltd.)	December 31	Note 1	

Appendix 2

Agency	Year end on or before December 31, 2007	Status at March 31, 2008	Significant issues reported ²
Workers' Compensation Board	December 31	Complete	No
Pension Plan for Employees of the Saskatchewan Workers' Compensation Board	December 31	Complete	No
Xavier Holding, Inc.	December 31	Note 1	
Yellowgrass Holding, Inc.	December 31	Note 1	
Special purpose and trust funds:			
Capital Pension Plan	December 31	Complete	No
Cattle Marketing Deductions Fund	March 31	Complete	No
Commercial Revolving Fund	March 31	Complete	No
Correctional Facilities Industries Revolving Fund	March 31	Complete	No
Crop Reinsurance Fund of Saskatchewan	March 31	Complete	No
Doukhobors of Canada C.C.U.B. Trust Fund	May 31	Complete	No
Extended Health Care Plan	December 31	Complete	No
Extended Health Care Plan for Certain Other Employees	December 31	Complete	No
Extended Health Care Plan for Certain Other Retired Employees	December 31	Complete	No
Extended Health Care Plan for Retired Employees	December 31	Complete	No
Fiscal Stabilization Fund	March 31	Note 6	Yes/2007 Rpt V3
Fish and Wildlife Development Fund	March 31	Complete	Yes/2007 Rpt V3
General Revenue Fund	March 31	Complete	Yes/2007 Rpt V3
Horned Cattle Fund	March 31	Complete	No
Individual Cattle Feeder Loan Guarantee Provincial Assurance Fund	March 31	Complete	No
Institutional Control Monitoring and Maintenance Fund	March 31	Note 4	
Institutional Control Unforeseen Events Fund	March 31	Note 4	
Judges of the Provincial Court Superannuation Plan	March 31	Complete	Yes/2007 Rpt V3
Livestock Services Revolving Fund	March 31	Complete	No
Northern Revenue Sharing Trust Account	December 31	Complete	No
Oil and Gas Orphan Fund (formerly Oil and Gas Environmental Fund)	March 31	Complete	No
Pastures Revolving Fund	March 31	Complete	Yes/2007 Rpt V3
Prince of Wales Scholarship Fund	March 31	Complete	No
Provincial Mediation Board Trust Account	March 31	Complete	No

Agency	Year end on or before December 31, 2007	Status at March 31, 2008	Significant issues reported ²
Public Employees Benefits Agency Revolving Fund	March 31	Complete	Yes/2008 Rpt V1
Public Employees Deferred Salary Leave Fund	December 31	Complete	No
Public Employees Dental Fund	December 31	Complete	No
Public Employees Disability Income Fund	December 31	Complete	No
Public Employees Group Life Insurance Fund	December 31	Complete	No
Public Guardian and Trustee for Saskatchewan	March 31	Complete	No
Queen's Printer Revolving Fund	March 31	Complete	No
Residential Tenancies, Office of - Director's Trust Account	March 31	Complete	No
Resource Protection and Development Revolving Fund	March 31	Complete	No
SAHO Core Dental Plan	December 31, 2006	Complete	Yes/2007 RptV3
SAHO Core Dental Plan	December 31, 2007	Delayed	
SAHO Disability Income Plan - CUPE	December 31, 2006	Complete	Yes/2007 RptV3
SAHO Disability Income Plan - CUPE	December 31, 2007	Delayed	
SAHO Disability Income Plan - SEIU	December 31, 2006	Complete	Yes/2007 Rpt V3
SAHO Disability Income Plan - SEIU	December 31, 2007	Delayed	
SAHO Disability Income Plan - General	December 31, 2006	Complete	Yes/2007 RptV3
SAHO Disability Income Plan - General	December 31, 2007	Delayed	
SAHO Disability Income Plan - SUN	December 31, 2006	Complete	Yes/2007 Rpt V3
SAHO Disability Income Plan - SUN	December 31, 2007	Delayed	
SAHO Group Life Plan	December 31, 2006	Complete	Yes/2007 RptV3
SAHO Group Life Plan	December 31, 2007	Delayed	
SAHO In-scope Extended Health/ Enhanced Dental	December 31, 2006	Complete	Yes/2007 Rpt V3
SAHO In-scope Extended Health/ Enhanced Dental	December 31, 2007	Delayed	
SAHO Master Trust Combined Investment Fund	December 31, 2006	Complete	Yes/2007 Rpt V3
SAHO Master Trust Combined Investment Fund	December 31, 2007	Delayed	
SAHO Out-of-scope Extended Health/ Enhanced Dental	December 31, 2006	Complete	Yes/2007 RptV3
SAHO Out-of-scope Extended Health/ Enhanced Dental	December 31, 2007	Delayed	
Sask 911 Account	March 31	Complete	No
Saskatchewan Agricultural Stabilization Fund	March 31	Complete	No
Saskatchewan Development Fund	December 31	Complete	No
Saskatchewan Infrastructure Fund	March 31	Note 6	Yes/2007 Rpt V3

Appendix 2

Agency	Year end on or before December 31, 2007	Status at March 31, 2008	Significant issues reported ²
Saskatchewan Power Corporation Designated Employee Benefit Plan	December 31	Complete	No
Saskatchewan Power Corporation Pre-1996 Severance Plan	December 31	Complete	No
Saskatchewan Research Council Employees' Pension Plan	December 31	Complete	No
Saskatchewan Snowmobile Fund	March 31	Complete	No
Saskatchewan Student Aid Fund	March 31	Complete	No
Saskatchewan Water Corporation Retirement Allowance Plan	December 31	Complete	No
Saskatchewan Watershed Authority Retirement Allowance Plan	March 31	Complete	No
SaskEnergy Retiring Allowance Plan	December 31	Complete	No
SaskPower Supplementary Superannuation Plan	December 31	Complete	No
School Division Tax Loss Compensation Fund	March 31	Complete	No
SGI Service Recognition Plan	December 31	Complete	No
Social Services Central Trust Account (formerly Department of Community Resources Central Trust Account)	March 31	Complete	No
Social Services Valley View Centre Grants and Donations Trust Account and Institutional Collective Benefit Fund (formerly Department of Community Resources Valley View Centre Grants and Donations Trust Account and Institutional Collective Benefit Fund)	March 31	Complete	No
Social Services Valley View Centre Residents' Trust Account (formerly Department of Community Resources Valley View Centre Residents' Trust Account)	March 31	Complete	No
Staff Pension Plan for Employees of the Saskatchewan Legal Aid Commission	December 31	Delayed	
Technology Supported Learning Revolving Fund (formerly Correspondence School Revolving Fund)	March 31	Complete	No
Thomson Meats Pension Plan	December 31	Note 4	
Training Completions Fund	March 31	Complete	No
Transportation Partnerships Fund	March 31	Complete	No
Victims' Fund	March 31	Complete	No

Agency	Year end on or before December 31, 2007	Status at March 31, 2008	Significant issues reported ²
Offices of the Legislative Assembly:			
Board of Internal Economy	March 31	Complete	Yes/2007 Rpt V3
Chief Electoral Office	March 31	Complete	No
Children's Advocate, Office of the	March 31	Complete	No
Conflict of Interest Commissioner, Office of the	March 31	Complete	No
Information and Privacy Commissioner, Office of the	March 31	Complete	No
Ombudsman, Office of the	March 31	Complete	No
Other agencies subject to examination under <i>The Provincial Auditor Act</i>:			
Pension Plan for the Eligible Employees at the University of Saskatchewan, 1974	December 31	Delayed	
University of Regina Academic and Administrative Employees Pension Plan	December 31	Delayed	
University of Regina Master Trust	December 31	Delayed	
University of Regina Non-Academic Pension Plan	December 31	Delayed	
University of Regina, The	April 30	Complete	No
University of Saskatchewan 1999 Academic Pension Plan	December 31	Delayed	
University of Saskatchewan 2000 Academic Money Purchase Pension Plan	December 31	Delayed	
University of Saskatchewan Academic Employees' Pension Plan	December 31	Delayed	
University of Saskatchewan and Federated Colleges Non-Academic Pension Plan	December 31	Delayed	
University of Saskatchewan, The	April 30	Complete	No

Note 1: These entities are wholly- or partially-owned subsidiary corporations that are included in the consolidated financial statements of a parent Crown agency. For the year ending December 31, 2007, these subsidiary corporations did not carry out active operations.

Note 2: For 2007, the Department continued to make payments to NewGrade Energy Inc. that were without authority. Our 2001 Fall Report – Volume 2, Chapter 16, contains further information on this matter.

Note 3: We continue to disagree with how the agency accounts for grants. Our 2004 Report – Volume 3 contains further information on this matter.

Note 4: These agencies were recently created or became Crown agencies. March 31, 2008 and June 30, 2008 will be the first year-ends audited by our Office. The status of the audits of these agencies will be provided in future reports.

Appendix 2

Note 5: The agency does not have adequate processes to ensure retired members who returned to work for the Government are paid in accordance with the Superannuation (Supplementary Provisions) Act. Our 2001 Spring Report contains further information on this matter.

Note 6: These agencies are included in the summary financial statements and did not carry out active operations during their fiscal year.

¹ "Complete" – the audit was complete at March 31, 2008.

"Delayed" – the audit was delayed.

"Rotational" – for a few sectors (i.e., regional colleges), we carry out the audits of the most significant entities and use a rotational approach for the remainder. We list entities in rotation whose audits were complete at March 31, 2008 as "Complete". We list the other entities as "Rotational".

"Denied Access" – in a few cases, we have not been given access to the necessary information to complete the audits.

² "No" - no significant issues were reported.

"Yes/2007 Rpt V2" – significant issues were reported in our 2007 Report – Volume 2.

"Yes/2007 Rpt V3" – significant issues were reported in our 2007 Report – Volume 3.

"Yes/2008 Rpt V1" – significant issues are reported in our 2008 Report – Volume 1.

Samples of opinions we form on ministries, Crown agencies, and Crown-controlled corporations

Our mission states: "We serve the people of Saskatchewan through the Legislative Assembly by fostering excellence in public sector management and accountability". To fulfill our mission, we examine and provide independent assurance (conclusions) and advice on the Government's management of and accountability practices for the public resources entrusted to it.

We advise the Legislative Assembly on:

- ♦ the adequacy of the Government's management of public resources
- ♦ the Government's compliance with legislative authorities
- ♦ the reliability of the Government's public performance reports

We focus on the Government as a whole, sectors or programs of the Government, and individual government agencies. We use the auditing standards recommended by The Canadian Institute of Chartered Accountants to form our opinions. The following are samples of our audit opinions.

1. The adequacy of the Government's management of public resources.

I have audited [Crown Agency X]'s control as of [date] to express an opinion as to the effectiveness of its control related to the following objectives.

- To safeguard public resources. That is, to ensure its assets are not lost or used inappropriately; to ensure it does not inappropriately incur obligations; to establish a financial plan for the purposes of achieving its financial goals; and to monitor and react to its progress towards the objectives established in its financial plan.
- To prepare reliable financial statements.
- To conduct its activities following laws, regulations and policies related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing.

Appendix 3

I used the control framework developed by The Canadian Institute of Chartered Accountants (CICA) to make my judgements about the effectiveness of [Crown Agency X]'s control. I did not audit certain aspects of control concerning the effectiveness, economy, and efficiency of certain management decision-making processes.

The CICA defines control as comprising those elements of an organization that, taken together, support people in the achievement of the organization's objectives. Control is effective to the extent that it provides reasonable assurance that the organization will achieve its objectives.

[Crown Agency X]'s management is responsible for effective control related to the objectives described above. My responsibility is to express an opinion on the effectiveness of control based on my audit.

I conducted my audit in accordance with standards for assurance engagements established by The Canadian Institute of Chartered Accountants. Those standards require that I plan and perform an audit to obtain reasonable assurance as to effectiveness of [Crown Agency X]'s control related to the objectives stated above. An audit includes obtaining an understanding of the significant risks related to these objectives, the key control elements and control activities to manage these risks and examining, on a test basis, evidence relating to control.

Control can provide only reasonable and not absolute assurance of achieving objectives reliably for the following reasons. There are inherent limitations in control including judgement in decision-making, human error, collusion to circumvent control activities and management overriding control. Cost/benefit decisions are made when designing control in organizations. Because control can be expected to provide only reasonable assurance and not absolute assurance, the objectives referred to above may not be achieved reliably. Also, projections of any evaluation of control to future periods are subject to the risk that control may become ineffective because of changes in internal and external conditions, or that the degree of compliance with control activities may deteriorate.

In my opinion, based on the limitations noted above, [Crown Agency X]'s control was effective, in all material respects, to meet the objectives stated above as of [date] based on the CICA criteria of control framework.

2. The Government's compliance with legislative authorities.

I have made an examination to determine whether [Crown Agency X] complied with the provisions of the following legislative and related authorities pertaining to its financial reporting, safeguarding public resources, spending, revenue raising, borrowing and investing activities during the year ended [date]:

(List legislative and related authorities covered by this report. This list must include all governing authorities.)

My examination was made in accordance with Canadian generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, [Crown Agency X] has complied, in all significant respects, with the provisions of the aforementioned legislative and related authorities during the year ended [date].

3. The reliability of financial statements.

I have audited the balance sheet of [Crown Agency X] as at [date] and the statements of income, retained earnings and cash flows for the year then ended. The [Crown Agency X]'s management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the [Crown Agency X] as at [date] and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

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